Nation's Business

A USEFUL LOOK AHEAD

SEPTEMBER 1962

CAMPAIGN WINDUP: WHAT YOU CAN DO

PAGE 76

Wage-price controllers gain new power PAGE 36

Future impact of defense buying PAGE 29

Are you underpaid? PAGE 38

Politics distorts health care facts PAGE 32



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Nation's Business

September 1962 Vol. 50 No. 9
Published by the Chamber of Commerce of the United States
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7 **WASHINGTON BUSINESS OUTLOOK**
What business economists see for the next 12 months; trends in wage settlements; where modernization spending points

10 **BUSINESS OPINION: Health plan rejection**
Congressman reports that new poll confirms opposition of elderly to the Administration's social security proposal

14 **EXECUTIVE TRENDS: Outlook for training**
Profit pinch forces a more realistic look at development programs for managers; why your workweek won't shorten

21 **WASHINGTON MOOD: Light a fire or turn on the heat**
President must decide whether to try to discipline friends or to build more support for his program in the campaign

25 **STATE OF THE NATION: "The triumphant slob"**
Informed opinion is turning against educationists' theory that discipline is out of place in the modern-day school

29 **Future impact of defense buying**
Assistant Secretary of Defense Charles J. Hitch, Pentagon fiscal chief, tells how new shifts will affect your business

32 **Politics distorts health care facts**
New expanding programs, public and private, are meeting the problem of elderly in the U. S. who need medical care

34 **Forces shaping business future: Executive talent**
Corporate leader foresees improvement in management's ability to arrive at decisions that are right the first time

36 **Wage-price controllers gain new power**
Officials who handled economic curbs during emergency periods are showing up again in high places in Washington

38 **Are you underpaid?**
Differences of opinion about how much executive is worth to your company can be resolved by use of two yardsticks

40 **A LOOK AHEAD: Export insurance ready**
Medium-term policies covering credit and political risks are now available from Foreign Credit Insurance Association

49 PERSONAL OUTLOOK: Your recreation spending

Contrary to widespread notions, expert says that, as your income goes up, the proportion for recreation doesn't rise

62 Coming: New look at old laws

Pressure mounts behind congressional drive to guarantee periodic review of federal grant programs costing billions

68 Welcome mat's out for U.S. business

Foreign nations offer a variety of incentives to get your investments; here is a useful, country-by-country guide

76 Campaign windup: What you can do

Political and business leaders point out that your efforts in the final weeks before election can decide its outcome

84 The face you save may be your own

These tested methods can help a company lead its employes back to productive, effective work after temporary failure

93 SPECIAL LETTER: Probes by the dozen

Lawmakers are hustings-bound, but Capitol Hill work goes on as congressional committees plan for new investigations

96 School progress refutes aid need

Largest enrollment expected this fall; new construction keeps pace with needs; expenses going above $20 billion

106 Makework projects waste U.S. brain power

Distinguished nuclear scientist urges that researchers be freed from unneeded federal jobs for more productive work

112 Portrait of a bureaucrat

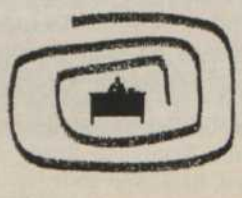
You can tell at a glance that this fellow knows all about the people's problems, and how government can solve them

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Why are so many promising men "failures" at thirty?

men who think that success is only a matter of "a few years" are failures . . . whatever their age!



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4. "And we're always happy to pass along our suggestions to anybody who is genuinely ambitious."

By James M. Jenks

MOST BUSINESS LEADERS agree that the years from thirty to forty are the decisive ones for young men who hope to become major executives.

Often their twenties are spent orienting themselves to the commercial world—experimenting, searching, changing from one kind of business to another, or from department to department.

But when a man reaches thirty, he should surely know where he plans to go. And he should begin to take definite steps in that direction. Otherwise, he risks the danger of moving about aimlessly for the rest of his working days.

Why do so many promising men fail to solve this elementary question of direction? Why do they waste so much precious time switching jobs and objectives until all hope of success has passed them by? The answer, quite simply, lies in their refusal to face a question which is fundamental to the progress of every businessman:

> *"How important are the rewards success will bring to me and my family? Am I willing to sacrifice a great deal of time, to devote myself wholeheartedly to my job and to work hard in order to make—not just a living—but a substantial success?"*

We try never to influence a man's thinking on this question. The answer must come from within himself.

It would, of course, be unrealistic not to recognize that success in business demands its price. Top management men are required to shoulder burdensome responsibilities—to work abnormally long hours—to spend less time with their families than they would like.

Further, *not everybody* has the native ability, the vision and the "drive" to be a leader.

Thus each man should take a hard, objective look at himself—and come to an honest conclusion as to what his goal in business should be.

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WASHINGTON **BUSINESS OUTLOOK**

Cut the cost of government.

That's most urgent economic need at this time, widespread opinion of economists and businessmen across the country. They believe high taxes are causing the sluggish growth rate you're seeing now.

Modest upward drift—one that can hardly be classed as satisfactory.

This is current direction of business.

Our basic economic condition appears to be strong since business and consumers have not become overextended in inventories, capital assets or debt.

But there's danger that we're sliding into a period of recession—though it's premature to state definitely that such a development is under way at this time.

These are opinions of top business economists surveyed by Nation's Business.

Economist James M. Dawson, vice president of the National City Bank of Cleveland, says:

"Most forecasting methods used by economists suggest the current expansion period should last until the first quarter of next year. However, setbacks in business and consumer confidence may move up that timetable, conceivably bringing about a recession as early as this fall."

Tax cuts, Mr. Dawson says, "represent the best hope of averting an early decline and for stimulating more vigorous growth."

Other business economists agree.

"The major weakness of the economy, as I see it, is the low state of business confidence," says William H. Chartener, program manager, Long Range Planning Service of the Stanford Research Institute.

"This results largely from disappointed hopes that operating rates and profits would continue to rise through 1962."

From Beryl W. Sprinkel, vice president and economist, Harris Trust and Savings Bank of Chicago, comes this comment:

"The answer in a nutshell is that the economy is still far below capacity levels and the rate of rise has slowed markedly."

He blames "a highly restrictive tax system which severely penalizes savings and investment."

More rapid growth is possible, Mr. Sprinkel says, only if we are willing to allocate more of our total resources to investment at the expense of government.

"Factors needed to improve the economy include, in my opinion, a sizable tax cut oriented toward reducing high marginal income rates as well as the corporate rate."

Major weakness, says Richard W. Everett, economist for the Continental Can Company, "is the fundamentally unsound nature of our tax structure which significantly limits progress toward achieving a satisfactory rate of economic growth.

"Obviously I believe that we need a fundamental revision of the tax structure to improve the economy.

"It is essential for the long run."

From the director of economics of a large office equipment manufacturer comes this further comment:

"The economy obviously needs a shot in the arm and I think that substantial tax cuts are called for."

Grover W. Ensley, executive vice president, National Association of Mutual Savings Banks, tells Nation's Business:

"The long-run need to stimulate economic growth remains.

"The basis for such growth lies in expanded

and modernized plant and equipment facilities.

"The only way to achieve this result without inflationary effects is through a steadily rising volume of real savings."

What do top executives think?

They're cautious, waiting to see what is going to happen next.

Here's an executive who heads a $470 million corporation—Paul B. Wishart, chairman of the board, Minneapolis-Honeywell Regulator Company:

"Right now I think a great many companies are waiting to see which way business is going to turn. There seems to be a feeling of uncertainty in the air.

"All of us are trying to measure as accurately as we can to determine what is needed in our particular companies to deal with the situation."

Mr. Wishart adds:

"I think very definitely the lack of adequate profits is influencing a lot of business decisions."

More of what Mr. Wishart has to say appears on page 34.

The increasingly significant influence of government on our economy is commented upon by John R. Kimberly, chairman of the board, Kimberly-Clark Corporation:

"Today one out of every eight persons in gainful civilian employment works for some federal, state or local government body or agency. I doubt that we need, or can afford, this much government.

"We are told that the democratic process as a means of reaching important decisions, the laws of supply and demand, and the principles of thrift upon which our fathers and their fathers before them grew up and prospered, are no longer applicable—that they are myths of a bygone era.

"In our annual report of 11 years ago, the president's letter commented on the Korean war as the most important event of the fiscal year then being reported upon, and I quote:

" 'That the central government needs major powers when we are at war is not questioned. But it is important to note that there still seem to be many, including not a few in high places, who continue to believe that government controls, complete government planning, even government operation of industry, is the way to freedom, a higher standard of living, and future progress. And this view is held in the face of the historical record refuting that picture even now before our eyes in many other parts of the world.'

"Events of recent months might well justify even more forceful statements."

Business decisions to spend—or hold back—reflect nationwide attitudes about future prospects.

Outlay for new plant and equipment now is running at annual rate $750 million higher than it was in the spring.

Though a large sum, that's up fractionally since the spring thaw. Spending rate is up $3 billion from a year ago.

Next move? Probably up a little more, in the opinion of specialists.

Businessmen appear to be holding to plans set in motion earlier this year.

Plans for next year? Questionable. Informed guess is that the need for modernization will result in higher expenditures.

Watch for a new government survey in about six weeks that'll shed light on business plans for the coming year.

Factory workers show confidence in future of America by quitting their jobs.

That's indicated by information pouring into U. S. Bureau of Labor Statistics.

Almost half again as many factory hands are leaving their jobs voluntarily than were doing so last Christmas season.

Economists are watching to see which way the quit rate will trend next.

Hiring heads up.

New factory hands are being hired at the fastest rate since Christmas.

All-industry average also shows old hands are being brought back on factory payrolls.

Layoff rate, meanwhile, is way down.

Future trend? Too soon to tell. It's one of the brighter prospects, expected to show up in lower unemployment this fall.

Strikes on the increase?

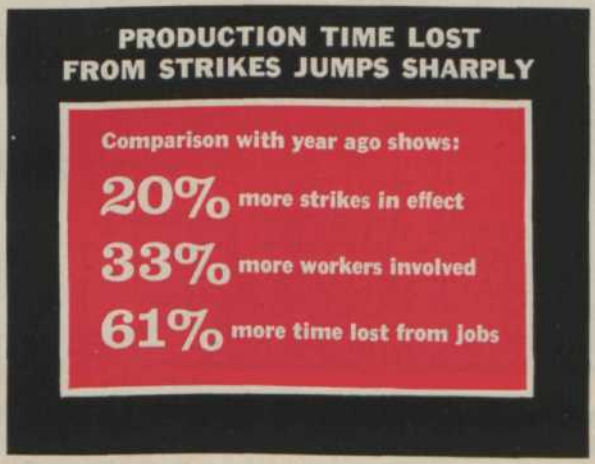
They are. Information available in Washington so far shows number of strikes running way ahead of this time last year.

Also shown: Nearly a third more workers involved, nearly two thirds more time lost from production.

This trend comes in the face of fewer union contracts up for negotiation.

Why more strikes? Negotiations involve issues that are more complex.

Unions are concentrating on job security, work rules, fringe benefits, for example, as well as higher pay.



Wage settlements are tapering.

But not much.

Median pay increase is running about 7.7 cents an hour. Compares with 8.3 cent rise a year ago.

Pay costs in nonmanufacturing industries keep setting faster pace.

For all industries: Pay is rising faster than average on the West Coast, in Midwest, Southwest, Mid-Atlantic region.

Pay is rising slightly slower than national average in New England and Southeast.

Fringe benefit costs, not included in this survey, are rising faster than pay.

Long term fringe cost trends are shown in a new survey—"Fringe Benefits 1961"—available for $1 a copy from Chamber of Commerce of the United States, Washington 6, D. C.

World hot spots are fewer—for the moment.

But that won't last long.

Insiders in Washington believe communists are just marking time, waiting for something to show which hot spot would provide the most leverage against the U. S.

That could be Berlin again. It could be the Middle East, Africa, Latin America.

In any case this prospect has a bearing on the level of taxation for defense purposes.

Future impact of defense spending is explained by Pentagon official on page 29.

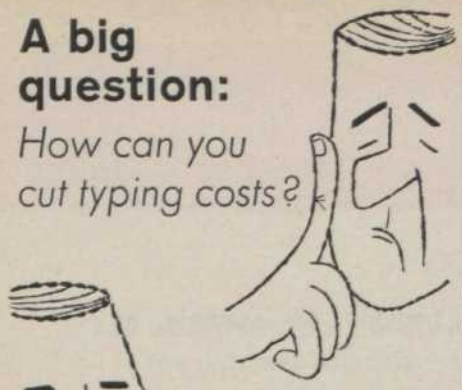
What do you think your taxes buy?

Defense, research, health and police protection—and other things as well.

If your personal tax bill comes to $8,344 a year you pay enough to provide one federal official one telephone-equipped limousine with driver.

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Business opinion:

New poll confirms health plan opposition

JUDGING from the reaction I have received, your July article on health care did a wonderful job in dispelling many erroneous impressions people may have held regarding the popularity of the Administration's medicare program with our senior citizens. My personal poll backed up your article 100 per cent.

You may also be pleased to know, as further substantiation to your article, that a recent Clearwater *Sun* poll on this same question found the people overwhelmingly opposed to the Administration's approach.

WILLIAM C. CRAMER
Member of Congress
First District, Florida
Washington, D. C.

System under scrutiny

"Where Welfare System Is Headed" [August] is most interesting and I wish to reprint it in our *Surveys*.

E. H. O'CONNOR
Managing Director
Insurance Economics Society of America
Chicago, Ill.

Party differences

The differences in the comments of Rep. Bob Wilson and Sen. Vance Hartke in "These Issues Will Decide Fall Elections" [August] reflect the differences in the approach to reality of our two political parties. While Mr. Hartke weaves a discourse of pie-in-the-sky generalities, Mr. Wilson brings out the clear, pointed facts of political and economic life.

MICHAEL M. JOHNSON
Los Angeles, Calif.

Inflation and expansion

In "Washington Mood" [June] Merriman Smith writes that President Kennedy "spends much time pondering the inching progress of inflation. He knows well the difficulty of continuing economic expansion without some degree of inflation. His problem is to keep the degree as slight as possible."

If these observations are correct, Mr. Kennedy's actions seem to be in direct opposite to what he believes. Has any administration in time of peace ever increased the public pay roll more than the one of Mr. Kennedy's? Has any administration in time of peace created more debt by excessive spending?

FRANK H. LEELAND
Leeland Real Estate
Warrington, Penna.

Refreshing approach

"Forces Shaping Business Future: Public Confidence" [August] is a most refreshing and encouraging approach at this point in history.

JOHN A. LAUTZENHEISER
Columbus, Ohio

Add to your years

"Are You Working Too Hard?" [August] is truly one of the finest articles I have read on this extremely vital subject. It should serve as a warning to many people and add many more years on to their lives.

LAURENCE J. KAPLAN
Airline Delivery Service Inc.
New York, N. Y.

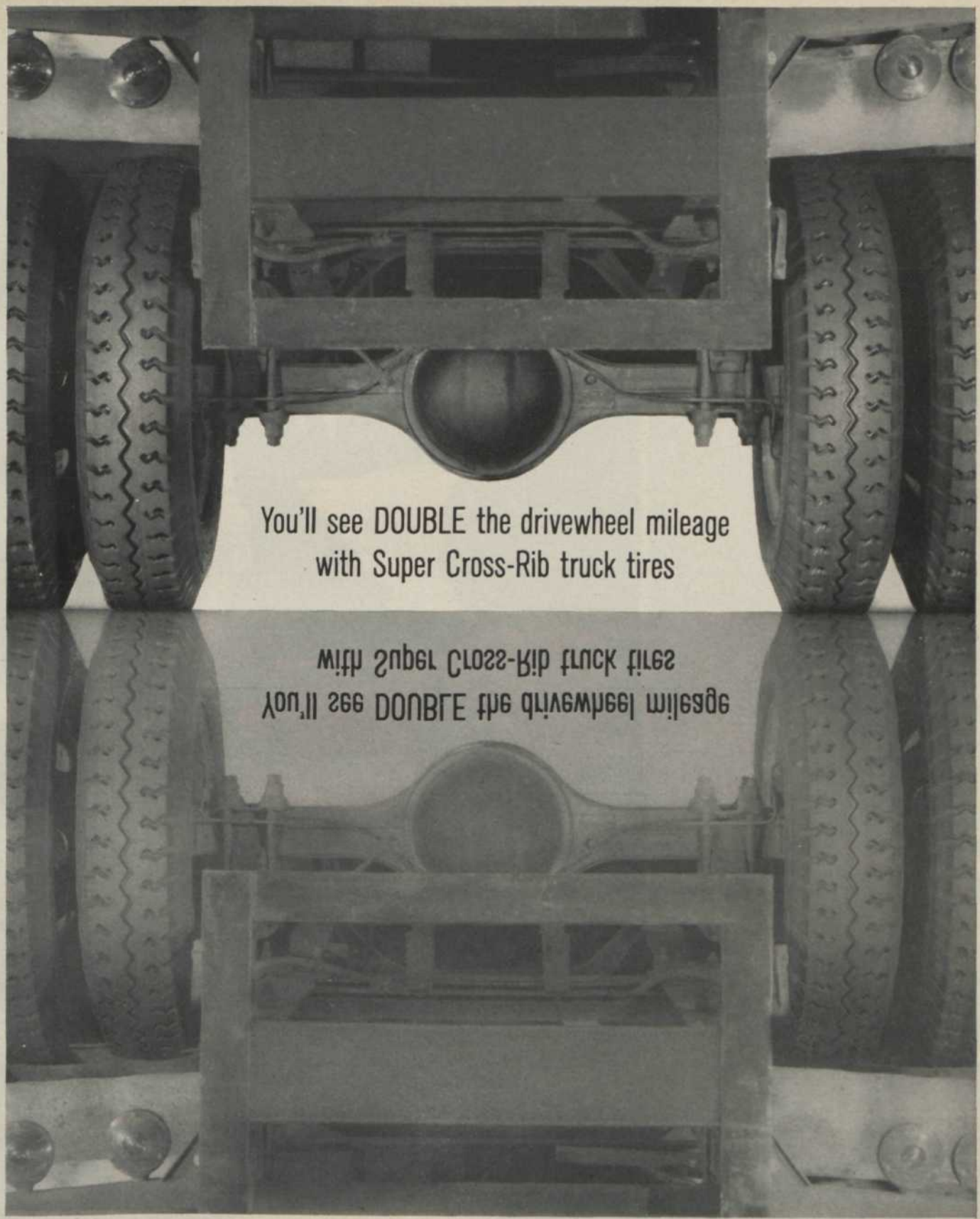
Delegation made easy

We have just read "Get More Done—Easier" [July] which we found most interesting. May we have your permission to reprint this article and distribute it to about 500 of our managers?

FRANCIS N. LAIRD
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May we have permission to digest "Get More Done—Easier?"

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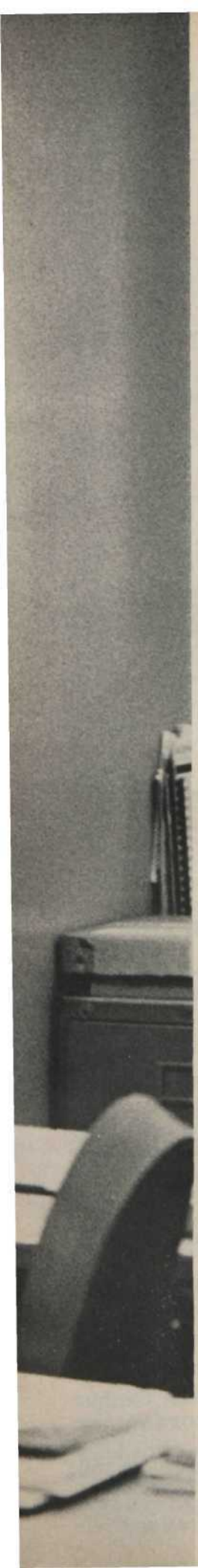
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GOODYEAR

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New Fluid Duplicator

cuts down the peoplework in paperwork

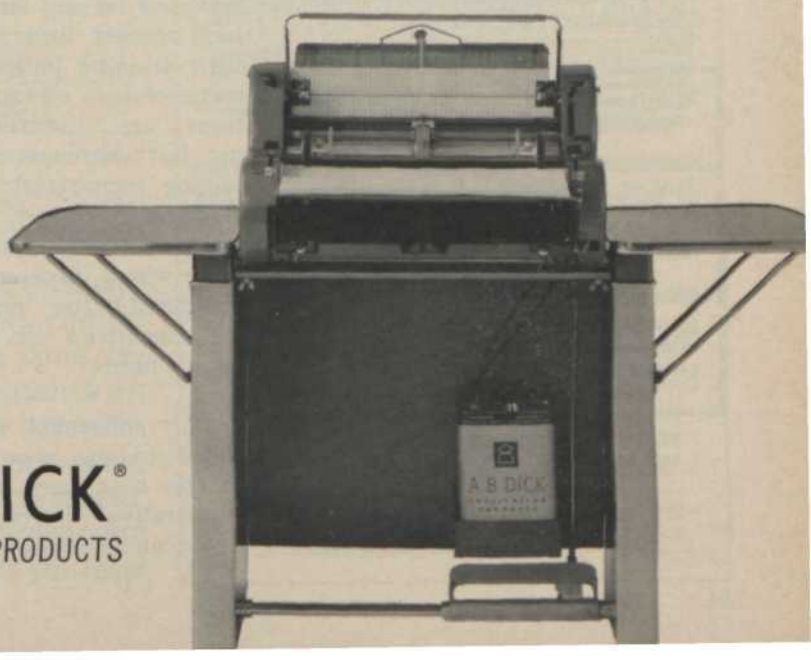
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Executive Trends

• Business tightens reins on training
• Will your week get shorter?
• What's happening to managers' pay

Rumblings of a fundamental change in management thinking are beginning to be heard.

The change is the cold-eyed realization that the long, opulent executive training honeymoon of the 1950's is definitely over. Companies which once spent thousands on programs of often esoteric value now are subjecting their development dollar to careful re-examination.

Frills, fads, cults and gimmicks are dropping away. Companies squeezed between rising costs and inadequate profit margins cannot afford to pack good old Charlie off to a posh development seminar in the carefree expectation that maybe he'll learn something useful to the company. The Charlies that go today had better learn something.

None of this means that know-how building programs are being scrapped on any large scale. Some hard-pressed firms have trimmed their training budgets, and a few management education organizations are themselves retrenching, but awareness of the need for honing managerial skills has not slackened. In fact, attendance in many courses is rising—particularly those which place emphasis on the bread-and-butter requirements of the executive's job and his company's needs.

• • •

Another influential voice has been added to the growing chorus of charges that there is excessive administrative overhead in many American businesses.

Dean Ernest C. Arbuckle of Stanford University's Graduate School of Business says these costs are a serious detriment to U. S. companies in their competition with foreign firms.

"We have in many cases built up expensive management structures," Dean Arbuckle notes.

"Professionalism tends to encourage bureaucratic corpulence. So does the committee system of operation."

Dean Arbuckle believes this soon may change. "Management," he says, "now is in transition from an art based only on experience and administrative skills to a profession based on underlying structures of principles and science."

He predicts that the growth of systems analysis and data processing will improve managerial decisions in the future by, 1, increasing the scope and accuracy of factual information, 2, providing a wider range of alternatives for action, and, 3, measuring the potential impact of decisions in one area of a business on the rest of the organization.

• • •

There's no shorter workweek ahead for you.

That's the opinion of Paul B. Wishart, chairman of the board of Minneapolis-Honeywell Regulator Company.

In a NATION'S BUSINESS interview beginning on page 35, Mr. Wishart discusses forces shaping the future of business.

"I don't think businessmen will have a 40-hour week in the future



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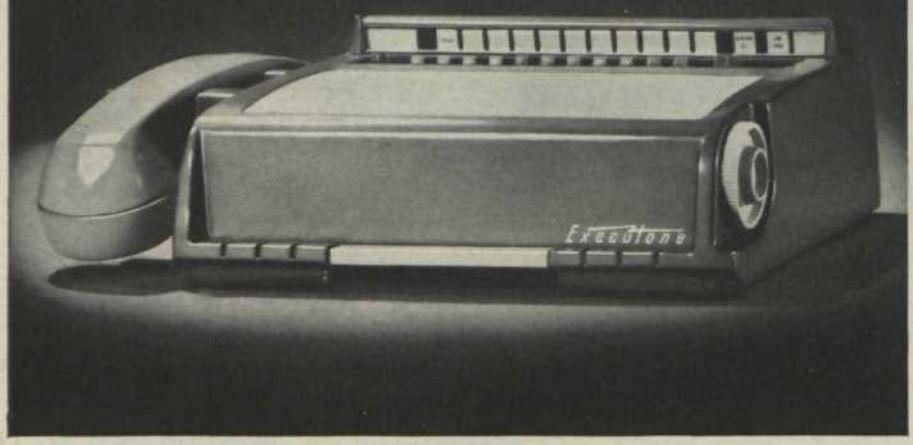
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EXECUTIVE TRENDS

continued

any more than they have it today," Mr. Wishart explains.

The point he emphasizes is that no matter how many machines are employed to help executives gather and use facts, and no matter how much expert help the businessman has, the final act of decision-making will always rest with the executive himself. That job, he points out, demands long hours and physical stamina on the part of individual managers.

"One attribute a business manager must have," Mr. Wishart says, "is the ability to work 50 or 60 hours a week and be in such physical shape that he doesn't make a decision when he's tired."

• • •

Are new trends in the wind for executive compensation?

Two specialists on this subject, Dale Purves and Charles Van Horn, answer in the affirmative. Both are partners in the firm of Edward N. Hay & Associates, which specializes in advising business on problems of compensation and organization.

According to Mr. Purves, "The emphasis is, and must be, primarily on establishing sound base-salary programs (see page 38), and secondarily, supplementing such programs with equally sound incentive plans resting on cause and effect—what man is in a position to cause something to happen and what effect his actions had on profits."

Mr. Van Horn elaborated for NATION'S BUSINESS. "Salaries are a business expense," he said, "but bonuses come out of profits. Entirely too many companies are wasting their profit dollars on incentive plans that bear little relationship to motivation. Executives in some companies receive constant percentage-of-salary bonuses year after year. In other companies, an executive may receive a substantial bonus one year with no explanation of why; the next year, he receives none.

"He has no idea what he did to earn a bonus the first year, nor what he didn't do the second year. In neither type of company can such extra compensation be considered incentive."

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tinuing to tighten, companies are paying sharper attention to these four aspects of extra compensation:

1. What fair share of profits can be turned over to the incentive pot?
2. Who should participate?
3. How much should each participant share in the pot?
4. What form will this pay-out take?

If a federal tax cut comes soon, Mr. Van Horn says, the chances are that the compensation will be paid in full during the year it is earned; if not, deferred compensation will probably be the answer.

As for stock options, he adds, future emphasis will probably be on the proprietary aspects of such plans rather than on their compensation advantages.

• • •

Beware of status symbols.

That's the advice which the vice president for production of a large manufacturing company gave to businessmen attending a seminar discussion of organizational planning.

What's wrong with status symbols?

Here's the VP's comment:

"Put an expensive carpet in your office and pretty soon you'll begin to think you're as good as the carpet."

• • •

What's your formula for breaking the workaday routine?

Some businessmen punctuate their day with naps, reading, with a fast handball game at the club, with a swim.

Now there are reports of a new tension-beating fad: fish-watching.

A New York aquarium-maker says general sales of aquariums have been rising about 30 per cent a year but sales of fish tanks for installation in offices are rising much faster.

One satisfied fish-watcher, the president of a New York advertising agency, had the tank and tropical fish placed in his office, which also doubles as a conference room. He says it gives the room light, color and movement and provides him with a relaxing means of diversion in mid-afternoon.

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President's choice: Light a fire under voters or turn heat on foes

BY MERRIMAN SMITH

FEARFUL FORECASTS aside, the halls of Congress are being tidied for the autumn lay-off. Members are proceeding toward home ballot-wicks to test the political winds before starting fall campaigns in earnest.

Threats to hold Congress in session much longer than usual proved to be rather academic. From the Administration viewpoint, there was little point in asking the House and Senate to remain.

The session has been quite difficult for President Kennedy with so much of his major legislative program either defeated or not acted upon. Also, the session has been no particular picnic for the Republicans who at times suffered from painful ideological divisions.

The loyal opposition, however, was united on one thing—opposition to the New Frontier. What made the session a frequent horror for Mr. Kennedy was similar unity of opposition from about a third of the Democrats. And while the President speaks firmly about attempting to win additional House and Senate seats for Democrats this fall, he has less than solid reason to hope that even this will lead to passage of more of his program next year.

The chief executive may well help elect some new Democrats this fall, but this is no guarantee that once they recover from immediate gratitude for his efforts, they will follow his legislative guidelines without variance. Witness the record of Sen. George A. Smathers of Florida, one of Mr. Kennedy's closer personal friends on Capitol Hill.

The President went to Florida even before the Democratic primary this year, an unusual gesture for a chief executive. He gave Senator Smathers the warmest sort of endorsement. Yet, when the chips were down on health care in the Senate, Senator Smathers voted against the Kennedy bill. Why? Because he felt the legislation was unpopular in his state, particularly among younger voters, to say nothing of Florida's many doctors.

In 1963, but more likely in 1964, members of the President's own party will measure his re-election prospects and may, leading up to the national campaign, give him more legislative support than he has received thus far.

But not this year. Too many congressional Democrats seemed to sense a grumbling or uneasiness back home that translated to them as disapproval of some of the New Frontier's main proposals.

Thus, during his travels of the next two months, the President must decide how much emphasis to place on election of specific individuals and how much on generating public interest and support for the administration program. There are competent, friendly experts who feel he would be well advised to bear down on the latter.

UPI



President's endorsement of Sen. George A. Smathers for re-election failed to pay off in vital Senate vote

Mr. Kennedy has no more approving observer in Washington than the distinguished Walter Lippmann. Quite apart from the President's personal popularity, which remains high, Mr. Lippmann feels that much of the public is down on government in general because of high taxes, heavy federal spending and such scandalous eruptions as the Billie Sol Estes

Merriman Smith is the White House reporter for United Press International.

case. Mr. Lippmann wrote recently in his syndicated column:

"There is, of course, only one way in which the President can induce the Congress to give him the measures to get the economy moving. That is by going to the people and persuading large numbers of them that in a revivified and dynamic economy lies their best and their only hope of carrying comfortably the necessary burden of defense and the inescapable burden of welfare and development in our rapidly changing society."

Mr. Lippmann's theory gets to the base of an old White House problem. Real presidential power rests largely in the persuasive ability of the executive. Call it salesmanship, pressure or whatever. A President is as powerful as his talent for talking people—lots of people—into seeing things his way.

A President also may profit at times by undertaking battles in which his chances for conventional victory are slim. The late Franklin D. Roosevelt undertook an odds-off battle in 1938 when he stormed southward to ask that such entrenched Democrats as the late Sen. Walter F. George of Georgia be purged.

F.D.R. knew he had little chance of bringing off his 1938 purge, but he did fix a white hot light of

UPI



President Kennedy prefers to avoid "give-em-hell" campaign tactics used by former President Truman

national attention on conservative Southern Democrats and furthermore, he bucked up the spirits of other Democrats running in more populous, two-party states.

Mr. Kennedy obviously regards purge tactics as uncalled for now. He will concentrate this fall on helping Democrats involved in direct contests with Republicans. There is little he can do about Southern conservatives who normally face genuine opposition only in primaries.

This is not to say Mr. Kennedy shuns political conflict. He can be a talented stump fighter, as Richard M. Nixon will attest, but the President prefers to contain intramural differences within the Frontier if possible.

The *National Observer* surveyed the congressional situation in the late summer and found some Democrats complaining about Mr. Kennedy having "twisted our arms—yet he hasn't done the one thing he should have done: Light a fire under the voters."

The *Observer* did not identify the complainants, but the fact remains that congressional arm-twisting by a President is nothing new. Threats of reduced patronage or being deprived of home-state public works projects are much more visceral than arm-twisting. What was more interesting was the belief cited by some Democrats that Mr. Kennedy had not enflamed the voters sufficiently.

Possibly the President is puzzled by such a complaint and by Mr. Lippmann's "go to the people" advice. Mr. Kennedy thinks he has been doing a lot of this sort of thing. Whether he has been doing enough of it for his own political good is debatable.

It would seem from his record in this session of Congress, however, that something remains to be done. If Mr. Lippmann is right and the public is generally dismayed by Big Government, Mr. Kennedy's task of salesmanship will require greater effort and ingenuity than might be expected of him in off-year campaigning.

Despite what some critics think, the President shuns what he regards as dramatics or exhibitionism. He prefers to be known for steadiness and consistency of purpose. He would not resort to the thunderclap which former President Truman used so effectively in 1948 against Thomas E. Dewey and what Mr. Truman denounced raspingly as the "do nothing" Eightieth Congress.

Mr. Kennedy prefers orderly, serious dialogue to the "give-em-hell" approach. He can thunder when so moved, as he demonstrated in 1960, but since becoming President Mr. Kennedy has been noticeably more restrained in political utterances. Even his angry reaction to Senate defeat of his health plan was short of being high velocity political ammunition. Political attack becomes truly tough only when it becomes specific.

Between now and November, the chief executive will be under considerable pressure to open up—and against specific targets so clearly identified that none but the most vapid voter misses the names of those assailed.

Whether the President responds to pressure and decides to play rough with those responsible for blocking much of his program should become evident shortly. His biggest problem will be how to do this without alienating large sections of his own party.

Should he decide to become rather pointed with opponents, Mr. Kennedy and his Democratic associates should plan now for Republican grapeshot that will come zipping back at them. Or possibly the Republicans might entice some of the Democratic conservatives to say a few words—not about the President, heavens no. Just a few words about the undesirability of the New Frontier legislative program, or sections thereof.

Those who've not yet had a summer holiday should move rapidly. You wouldn't want to miss what could be a highly interesting October as the President tries to discipline friends and influence people.



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Education myths lead schools to produce "the triumphant slob"

BY FELIX MORLEY

THE PROBLEM of inadequate pay for teachers has now been confronted, if not always solved, in every public school district throughout the United States. The average annual salary, during the past decade, has been upped from $3,126 to $5,389, an increase of 72 per cent. So it is appropriate, as the new school year opens, to pay attention to another, less advertised but certainly not less serious, educational issue.

This is the domination of conscientious teachers, endeavoring to give their pupils solid instruction in specific subject matter, by the array of professors of education who direct teacher training and largely determine not only what shall be taught, but also how.

While there is much overlap, these teachers of teachers must be distinguished from the school superintendents, principals and other administrative officers who manage the economy of the system and direct its intricate organization. All these have definable functions. The role of the professor of education as such, however, is extremely vague. Often it seems to be the promotion of experimental ideas, of the "learn by doing" variety, such as in the school where production of a weekly paper was allowed to replace all instruction in English. The long-suffering teacher does not hatch these strange conceptions, but is supposed to make them work.

• • •

For the actual teacher, insult is added to injury by the theory that discipline is out of place in the modern school. This is currently being argued, for instance, by a professor of education at the University of Michigan, billed as having "spent years in educational research." The average teacher, he says, continues to put too much time and effort into the control of his pupils. The result is "a dependent-prone generation." In the professor's opinion: "This situation can present a great danger in the future if it leads to acceptance of national conformity and authoritarianism."

This professor of education is progressing backwards. It is not the disciplined but the undisciplined child that becomes a problem, for himself as well as for parents, police and society in general. It is not controlled but uncontrolled juveniles that form gangs, vandalize their own school buildings and eventually necessitate an overdue crackdown. Other factors being equal it is a disorderly people who invite authoritarian rule, simply because they have never learned the discipline necessary for self-government.

In a slashing book entitled "Suffer, Little Children," a California school superintendent, Dr. Max Rafferty, has recently joined battle with the self-styled "progressive" educators. He minces no words. The product of schools where discipline is minimized is called "the triumphant slob," whose "sole interests are sadism, sex and speed." He is "the perfect antithesis of everything education stands for" and yet "he is also the product of education."

The public schools, says Dr. Rafferty, did not originate the slob, who generally comes to them from a broken or disordered home. But the schools have tolerated and in every sense promoted him. And then this nonconformist educator beams on the target:

"By destroying the hierarchy of values which placed mastery of specific subject matter in a position of paramount importance, we have persuaded these already confused minds that nothing in life, including life itself, is of any particular importance. We have required them to go to school, but we have not required them to do any work. Instead we have created special 'courses' wherein they might sprawl and leer in company with one another, and where constructive learning is laughed out of court. To the slob, life is a dirty joke, with school the cream of the jest and educators the buffoons."

The slob, concludes this school superintendent, "is more dangerous to his classmates than a walking case of typhoid or tuberculosis." And the cult should be treated as a contagious disease, unless Americans really want to "stand dithering by while the throat of education is slowly cut with a switchblade knife."

Dr. Rafferty's strictures may seem somewhat exaggerated. The embryonic beatnik, dirty, oily and foul-

mouthed, is certainly not a predominant type. High schools in which teachers are terrorized by their pupils are fortunately still very much the exception. But the indictment will carry the ring of truth to all who know our big-city high schools from within. They will recognize that no duty of citizenship is more urgent than support for those schoolmen who seek to restore the element of work to education.

At least in part, the present blight can be traced to the myth that there is a science of education as such, wholly apart from subject matter. Acting on this fallacious assumption, the disciples of John Dewey have for years been emphasizing the surface rather than the substance of teaching.

Many a professor of education could not for the life of him solve a quadratic equation, or identify the principles underlying the American Constitution. Yet he is allowed to lay down rules as to how algebra, government and all other subjects should be taught. He controls the teaching while denying the teacher any right to control the pupils.

Of course it is obvious that knowledge of subject matter alone does not make a good teacher. A strong yet pleasing personality, an understanding of juvenile psychology, great patience and a willingness to suffer fools gladly are all important attributes. Nobody complains when the professors of education emphasize the importance of such traits. It is to be remembered, however, that those who do not possess



Educator blames lack of discipline for creating "the perfect antithesis of everything education stands for"

them naturally are unlikely to remain in teaching, even if they mistakenly enter that profession at all.

The trouble with the "educationists," as teachers of teachers like to call themselves, is that they seldom distinguish icing from cake. Being largely ignorant of substance, they place undue value on method. This leads to a belief that educational gadgets are somehow intrinsically desirable; that old-fashioned ideas of discipline and decorum should be abandoned in their favor; that the teacher should always be sensitive to what our Michigan professor calls "the built-in radar" of the pupil.

In short, the theory of progressive education, as it has evolved, debases the teacher and puts the raw adolescent in control. It is not easy to see who benefits from this overturn. When the educationist adds a course on "How to Date" to the curriculum, it is an embarrassment for the teacher, a sexy joke for the class, a dubious encroachment on domestic responsibility for parents. Much the same can be said of other "life adjustment" courses.

Moreover, to obtain professional advancement, the aspiring teacher, no matter how competent in subject matter, is condemned to study this sort of faddism, outside working hours and at his or her personal expense. When enough formal credits for this waste of time have been accumulated—"the way housewives collect trading stamps"—the teacher is certified as worthy of promotion.

• • •

This stultifying system is now happily facing increasing trouble. On the one hand the shortage of teachers is forcing many school districts to employ and advance those who have no formal accreditation, but are merely interested in and good at their basic job. On the other hand, the pitiful consequences of "life adjustment" education has impelled a number of States to upgrade subject matter in their teacher training courses. This automatically downgrades what educationist gobbledegook calls methodology.

The well organized professors of education not unnaturally resent the loosening of the strangle hold on education which has been gradually established. The offensive tactic is to condemn any critic, no matter how well qualified, as an "enemy of the public schools." The defensive tactic is to argue that federal aid to education would provide funds to remove any unconcealable deficiency, such as Johnny's inability to read.

But without federal aid, during the twelve years since 1950, the actual annual expenditure on public education has risen from under $6 billion to over $16 billion. As a percentage of gross national product this is an increase from a little more than two to well over three. So the always exaggerated argument of financial need has lost its force, while mounting discontent with the results of educationist flapdoodle has taken the edge from the charge that all criticism comes from petulant reactionaries.

Most fortunately, within the ranks of educationists as well as among the actual teachers, there is a clearly growing realization that it is time for firmer discipline and fewer frills. One from the University of Michigan has been quoted to the contrary. So it should be simultaneously noted that this same institution has also recently published a study which argues cogently that "life adjustment" courses are fundamentally silly because they assume a nonexistent maturity in adolescents.

The school, says this wise educator, can never portray the problems of adult life. But it can and should inculcate the discipline necessary to meet those problems successfully. Surely this requires not the lessening, but rather the tightening of competent teacher control, in the direction and to the end of really serious work.

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The Volkswagen Truck is:

(1) A pick-up.

(2) A flat-bed.

(3) A covered van.

As a pick-up, it picks up 1,764 pounds. (Nearly twice the load of a half-ton.)

As a flat-bed, it loads from either side and/or the rear. (The sides come down like the tailgate.) And its bed is what a flat-bed is supposed to be.

Flat.

(It's 2 feet longer than a half-ton with no wheel wells to take up space.)

As a covered van, it has a tarp and hoops ($85*) to keep the load dry.

All three trucks have the air-cooled VW engine in the rear. For extra traction. And the weather-tight locker in the side. For extra storage. And the 9½-inch-high bottom. For extra clearance.

What does your business need?

A standard one-truck truck?

Or a three-truck Volkswagen?

TOP OFFICIAL FORECASTS:

FUTURE IMPACT OF DEFENSE BUYING

Assistant Secretary of Defense Charles J. Hitch, Pentagon's fiscal chief, tells how military shifts will affect your business



DEFENSE SPENDING will present a rapidly changing pattern in future years.

This is the prediction of Charles J. Hitch, Assistant Secretary of Defense (Comptroller), the chief financial officer of the Department of Defense.

Military procurement, which now makes up 10 per cent of our total production, has a widespread impact on American business. Changes in emphasis have a profound effect —for good or bad—on many different industries and many different geographical areas.

An authority on the vital part which the defense budget plays in determining the course of our national economy, Mr. Hitch left the RAND Corporation in January 1961 to accept appointment by President Kennedy to his present post. He spent 13 years with RAND —a nonprofit corporation engaged in scientific research for the Defense Department, Atomic Energy Commission, and the National Aeronautics and Space Administration —and served most recently as chairman of its Research Council.

Mr. Hitch, an economist and former Rhodes scholar, has applied his talents to his current job by conceiving and installing in the Defense Department an integrated system of military planning, programing, and budgeting.

In this interview with the editors of NATION'S BUSINESS, Mr. Hitch gives businessmen an insight into future planning for our national defense and how it will affect business.

Mr. Hitch, will we see a continuation of the upward trend in defense spending over the next 10 years?

I would say that the actions of this Administration are more in the nature of moving from one plateau of defense spending to a higher plateau than of getting on an upward inclined plane. I would certainly not expect expenditures to continue to rise at anything like the rate they have over the past year and a half.

Our obligational authority for the current fiscal year will be over $50 billion for military functions but our expenditures will be only a little over $48 billion, up from the $42.9

billion forecast for fiscal 1962 in the final Eisenhower budget.

I wouldn't want to predict precisely what level expenditures will reach next fiscal year, but they are bound to be somewhat higher than in the current year. What happens in the future depends, in my opinion, mainly on what happens to the threat. If the Russians or Chinese start fresh adventures around Berlin or in Asia, we will have to counter them, in part by increasing our defense spending. If the threat continues pretty much as it is, I would hope that our expenditures would level off at perhaps a little more than $50 billion.

Is there likely to be enough fluctuation in our future defense spending to aggravate the problem of stabilizing our economy?

In the past—over the period of the 1950's, for example—fluctuations in defense expenditures have been large enough to influence the course of the economy, and it is certainly possible that they will be again.

I can't, however, foresee any such large changes in defense expenditures in either direction over the next few years.

Is the impact on our economy likely to become greater?

If the defense program continues to be about the same percentage of total production, or a slightly smaller percentage, its impact on the economy in general should not become greater.

I expect, however, that defense business will continue to change rapidly in the character and mix of its products and, therefore, will continue to have an impact on particular industries and on particular localities and geographical areas.

From this point of view, I would expect it to be at least as important an influence on local economies as it has been in the past.

What will produce this changing impact?

The product mix is very responsive to technological advance, and to changes in the international situation and our strategic plans.

For example, our expenditures on ordnance, vehicles, and related equipment of this kind have increased from $700 million in fiscal 1961 to an estimated $1.7 billion in fiscal 1963. This shift occurred because of the increased emphasis of this Administration on limited war and conventional capabilities. I expect that there will be many other shifts in the future.

What will be the further effect of this particular shift in emphasis?

That is difficult to predict because we must be prepared for general war too. We are determined to maintain a general war force that can survive any attack, that is flexible in its response, and that is effectively controlled.

We have increased spending on this general war force by about $2 billion since President Kennedy came into office last year. We hope that the present generation of survivable missiles which we are installing—the Polaris and Minuteman and Titan II—will be an effective retaliatory force for quite a number of years, and that we will not have the enormous cost of adding another new generation of missiles in the near future. If we don't have to, there may be some further percentage shift in our procurement from long-range missiles and bombers to limited war forces, which means tactical aircraft, ordnance, vehicles, and transport aircraft.

Are additional funds going to industries other than aerospace-electronics producers?

Yes. No question about it. If we look at the new obligational authority for procurement in fiscal 1963 compared with fiscal 1961 we find that ordnance and vehicles have doubled from $1 billion to $2 billion. However, the aerospace-electronics producers have also benefited from increases as aircraft have gone up from $5 billion to $5.5 billion, electronics from $900 million to $1.2 billion, and missiles from $2 billion to $4 billion.

The increase in missiles is largely

Trend in defense procurement appears to be toward more research, development—fewer production runs



BLACK STAR



NASA



YOICHI OKAMOTO

"Defense business will continue to change rapidly in product mix," Assistant Secretary Hitch says

a result of the increase in Polaris and Minuteman.

Is the changing mix in military spending likely to boost employment?

There are trends here that are working in opposite directions, and I can't predict what their net effect will be.

In the aircraft and missile industries we are spending much less on long production runs requiring a lot of production workers, and are spending much more on development, on the skills of engineers. Therefore, fewer people are employed per dollar of outlay.

Working in the other direction is the shift toward increased procurement of Army equipment—ordnance, vehicles, and so forth—where you do have substantial production runs, and where you do employ more people per dollar.

How much will spending for research and development increase in future years and in what principal areas?

I'm sure it is not going to continue to increase at the phenomenal rate of the past. You have to be careful in interpreting the figures on research and development. What we call RDT&E—research, development, test and evaluation—includes a lot of things that are not really research at all. In fact, most of that money goes for the fabrication of prototypes. It goes for engineering development. That is the really expensive thing. I'm sure there will be a steady increase in research, both basic and applied research, and exploratory and component development. It is possible, however, that there may be some decrease in engineering development.

Will military demands for scientists, engineers and skilled technicians continue to grow at a rapid rate?

I would expect it to grow at a somewhat slower rate as far as the Defense Department is concerned. But, of course, there is also the space program, which has growing demands for similar skills.

What are some of the other new developments?

Another shift of considerable importance is the increase in the shipbuilding program. The Navy has a serious problem because of the obsolescence of the tremendous number of ships that were built during World War II. These ships, in the opinion of the Navy, are now approaching the end of their useful life and all at about the same time.

Now there are various ways in which we can extend the useful life of these ships, but there is a limit to what you can accomplish through conversions and there is a limit to the length of life of the basic structure and hull.

How do nuclear-powered ships figure in your plans?

Our present view is that nuclear power is tremendously important for submarines, because it gives the submarine a capability that it never had before.

In the case of surface ships, nuclear power does not seem to provide any such unique advantages and, unfortunately, it increases both the initial cost of the ships and their operating cost by between a third and a half. The only thing that nuclear power adds to ships is endurance. But there are so many other limiting factors on endurance be-

(continued on page 100)

POLITICS DISTORTS HEALTH CARE FACTS

Fast-growing programs paying medical costs of the needy aged

THE HEATED domestic political issue of costly health care for the aged is actually based on a shrinking problem.

The Kennedy Administration's pleas for a new law to buy hospital and nursing home care for the aged with social security taxes have failed to win over Congress. The President has promised to take the issue to the people as a key feature of the fall congressional election campaigns.

Meanwhile legislation is pending in Congress to provide more help for the elderly through private financing. A bill sponsored by Rep. Thomas B. Curtis of Missouri would allow employers to take tax deductions for contributions they make to employe pension plans that include health care protection features.

The law currently permits tax deductions of contributions to employe pension funds to provide retirement income. But the Curtis measure would extend this to let employers claim deductions for contributions they make to health plans for employes after they retire. Millions of elderly could be covered in the future.

Moreover the existing programs of medical care for the aged are rapidly paring the size of the problem.

The much maligned state-operated medical aid for the aged program, known as the Kerr-Mills law, is the major source of help for elderly with limited resources. It is now operating in one form or other in nearly all the states. Private health insurance protection for the aged is spreading at such a rate that 12 per cent more of the aged are now covered than in 1960.

The political alarm about the condition and finances of the nation's 17 million persons 65 and over has largely drowned out word of the progress in meeting the elderly's health needs.

Little known are these facts:

- About 65 per cent of the elderly now are able to get a wide array of medical services under state medical assistance plans without going on relief.
- Another 15 per cent of the elderly now get medical help regularly through old age public assistance, commonly known as relief.
- Some 55 per cent of the elderly now have health insurance.
- Hospital-surgical insurance for the aged is now available for as little as $78 a year on a group basis and from $66 to $99 a year on an individual basis for a man 65, for example.
- The number of recipients of medical care under new state plans has risen rapidly in recent months, by as much as 70 per cent in Illinois and 269 per cent in Pennsylvania.
- About 10 per cent of the heads of families 65 or older earn $10,000 or more a year.
- Over 10 per cent of the aged live with younger relatives; half of those with small assets do.
- Around 15 per cent of aged men are World War I veterans and can get free care in VA hospitals if they are needy.

Although Congress enacted the Kerr-Mills medical program in 1960, the pressure has been on to pass a health care program under the social security system to provide limited care to older persons whether they are able to pay for it or not.

Critics have attacked the Kerr-Mills law with four major charges. They say it is not meeting the need because most of the benefits are going to only a few states, that some states have not adopted it, that it requires recipients to make known their financial affairs, and that benefits are unequal among the states.

From the start of government old-age assistance or relief programs in 1935, the cost of medical care could be paid by the monthly cash payments to the needy.

In recent years as the older population has increased, more aid has been given.

In 1950, Congress amended the law to permit payments for medical care directly to suppliers. In 1958 payments were increased. In 1960 a double-barreled program of assistance was provided in the Kerr-Mills law. First, medical care payments under old age assistance were raised. Second, a new form of aid was provided to help persons not on relief who have enough re-

An interview with Senator Robert S. Kerr (D-Okla.), a leader in the health care fight, is at right



WIDE WORLD

sources to meet ordinary living expenses but who can't pay unusually high medical bills.

Some 31 states have adopted plans to implement the most important part of the Kerr-Mills program, known as the Medical Assistance for the Aged (MAA) program, for those not on relief but with limited resources.

All except one of the states have put into operation increases in medical payments for aged under relief, which is the other part of the 1960 law.

Critics of Kerr-Mills have complained that almost 90 per cent of the MAA money is going to only four states: New York, Michigan, California and Massachusetts.

This is true. It is also true that about 25 per cent of the aged live in these four states. Even more important is the fact that these were among the first states to adopt the program. Naturally most of the money spent so far has gone into these areas.

Critics also have charged that the program is a failure because many states have not adopted it.

Several states have not yet put the MAA portion of Kerr-Mills into effect. But adoption of the program has certainly not lagged as compared with any recent similar program. For example, in 1950 Congress passed a program of aid to the permanently and totally disabled. It was intended to provide

(continued on page 82)

Senator Kerr, what are the advantages of the existing Kerr-Mills medical care program over proposed health care under social security?

In the first place, the Kerr-Mills program provides greater benefits to those over 65 years who need those benefits. The benefits include doctors, surgeons, hospitalization, nurses and nursing care, medicines and drugs, dentists and dental benefits—even false teeth. Each state can provide what is needed by the people within the state. The Administration's social security approach for aged care would provide mainly hospital and nursing home payments.

In the second place, the Kerr-Mills program is administered on a basis where both the doctors and the patients have the freedom of choice, the patient being able to choose the doctor wanted or the hospital wanted, the doctor being free to make his service available in accordance with what kind of medicine he practices.

Next, the Kerr-Mills program, being available to all over 65 who need it and cannot provide it for themselves, is paid for out of the general revenue fund, by taxes received from everybody, rather than being paid for by a limited group, primarily the self-employed and the employed workers and their employers.

From a cost standpoint how does the Kerr-Mills program compare with the social security approach?

The Kerr-Mills plan if fully implemented in all of the states would cost much less than the Anderson-Javits proposal, which is the latest Administration version.

The Anderson-Javits amendment had a tax beginning in 1963, a payroll tax that would have collected $810 million. Beginning Jan. 1, 1964 the Anderson-Javits amendment would have increased the social security tax $2.2 billion a year. All evidence is that if it were fully implemented that would have been inadequate to pay for it.

Now, the estimate for the Kerr-Mills plan for fiscal 1964 is less than $500 million.

Some states have not yet adopted or implemented the Kerr-Mills program. Why are they holding back?

Many states have anticipated that a social security tax-supported medical care program would be initiated and figured they would wait until that happened. Now, what those people don't realize is that amendments thus far offered for a social security tax-supported health program do not provide more than one-fourth of the medical or surgical or health requirements for the aged who need medical care that is provided under Kerr-Mills.

Then, some states have not done so because their legislatures have not yet provided the funds for the state to put up its part of the money. However, when more people realize that the Kerr-Mills program is available to the states on a matching basis, in my judgment more and more states will implement the Kerr-Mills plan, especially now that it's apparent that the other program will not be put into effect in the next two years. The social security plan could not be put into effect until 1965 even if it should be passed in 1963, which I gravely doubt.

Do you think that medical care for the aged under social security is a proper partisan issue for the 1962 election?

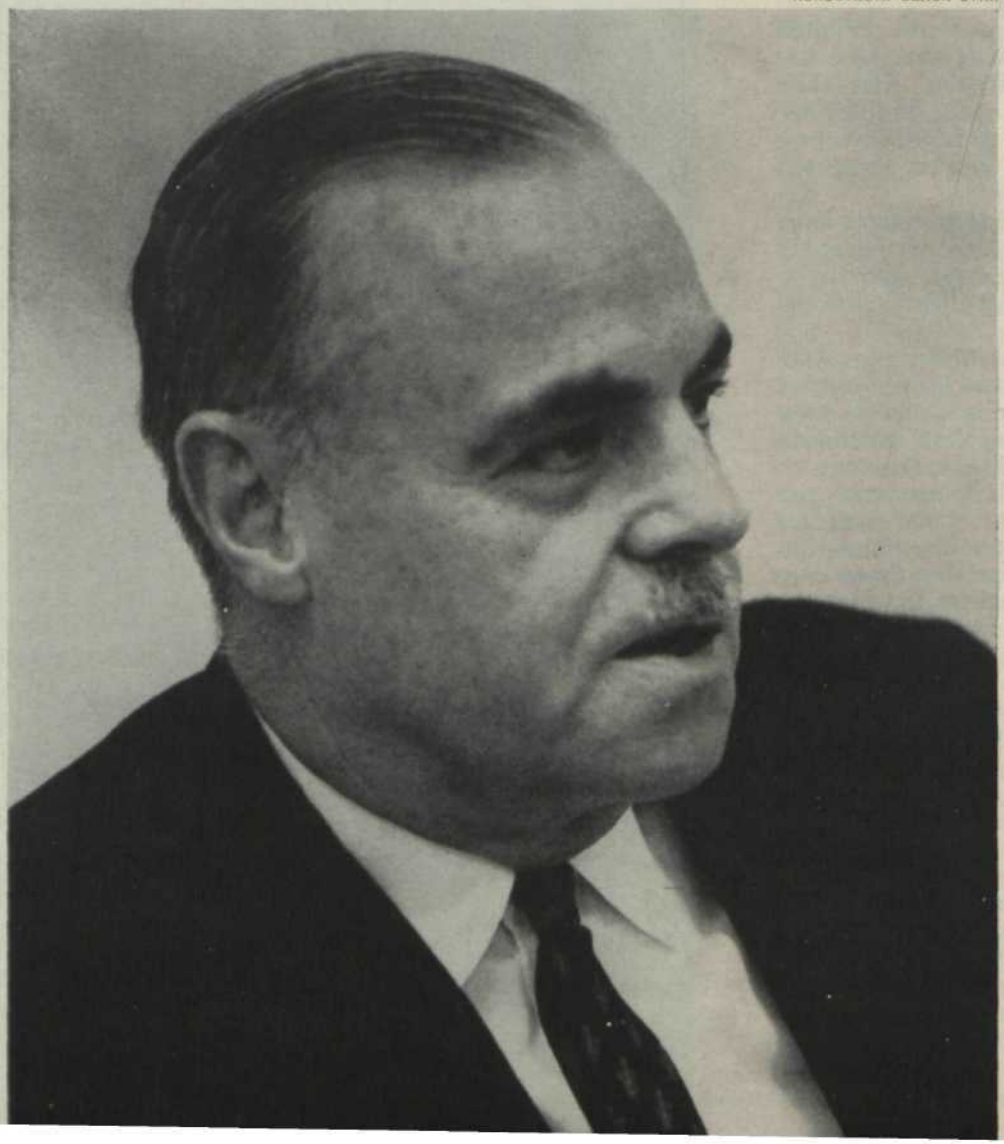
I do not, for the simple reason that the Anderson-Javits amendment was defeated by the vote of 31 Republicans and 21 Democrats. It was supported by 43 Democrats and five Republicans. I think in the final analysis it will resolve itself into a personal issue in the various states, and within both parties, not between the two parties.

FORCES SHAPING BUSINESS FUTURE

EXECUTIVE TALENT

Improvement of managers' ability to make decisions that are right the first time will contribute to future national growth, says **Paul B. Wishart,** chairman of the board of Minneapolis-Honeywell Regulator Company

NORDSTROM: BLACK STAR



YOUR COMPANY'S future prosperity will hinge closely on your ability to boost think-power at the top.

Tools for widening management horizons are being developed and refined. In the next decade you can expect to learn many new ways to expand executive capabilities.

These are the views of Paul B. Wishart, board chairman and chief executive of the Minneapolis-Honeywell Regulator Company.

But new techniques, Mr. Wishart says, won't make the whole difference. Good intuitive judgment will always be important in management decisions.

Mr. Wishart, a 1920 graduate of the U. S. Naval Academy, began his business career in an auto plant in Detroit. He worked in manufacturing and sales.

"I guess I'll always be a salesman at heart," he says, "because I still consider getting a name on the dotted line one of the biggest thrills in business."

In Minneapolis he operated a retail and wholesale automobile business. He joined Honeywell 20 years ago. In 1946 he became vice president for manufacturing, subsequently was named general manager, and was appointed president in 1953. He became chairman in 1961. With sales of $470 million—more than double the volume of 10 years ago—Honeywell is the world's largest manufacturer of automatic control equipment.

In this interview Mr. Wishart explains his philosophy as a manager.

Mr. Wishart, what do you consider the outstanding opportunity for business in the years ahead?

Making the most of executive brain power.

One of the most obvious needs is to overcome costly mistakes brought about by faulty decision-making.

Many of the tools for doing this are available to us now—or will be soon. In the next decade or so we'll learn many new ways to expand executive talents. We have the ability and the challenge in the years to come to widen the scope of man's mind to work on problems.

Maximizing your executive talent, I think, offers the outstanding opportunity for the future. This is sure to lead to a fuller life for generations to come.

How will electronic data processing figure in improving management proficiency?

It's a management tool with tremendous potential.

Just as no human can lift with as much power as a lever, no human mind can absorb and recall the amount of information that is easily stored in computers. The lever and electronic data processing are both tools invented by man to assist him.

Throughout history, man's ability to produce more—and hence to raise his standard of living—has come not purely from his basic mental and physical capacities, but through the extensions of these capacities he has been able to devise.

In other words, he produces more and better products by inventing more and better tools to aid him in the inventive process.

Just as the lever is an extension of man's arm, so is electronic data processing an extension of his mind.

Will data processing replace many management functions?

A computer cannot think. At present it knows only what it is told and operates only as directed. It is essentially a robot.

Automation of management decisions has not come so far as to relegate the executive's function to a point where he simply looks at alternatives and knows which one to take.

This, in my opinion, will never come.

Good judgment will always be necessary—until we come to the utopia where everybody does exactly what he should exactly when he should, and I don't think human nature works that way.

Is there a danger in presenting managers with too much information?

All data processing will do for you is give you information more quickly than you get it otherwise. It gives you more information in depth.

It's possible for computers to produce a lot of useless information. But I'm afraid we get that anyway through the reports that flow over our desks now.

Good judgment, you know, comes from experience—and experience comes from poor judgment.

Will future executives be able to work fewer hours?

Decidedly not. I see no reason for executives to anticipate a shorter workweek. They'll have to work many long hours, just as they do today.

When I ponder what's ahead I see an ever-increasing need for decisions to be right the first time. The future will be far more critical of executives. The difference between right *(continued on page 53)*

WAGE-PRICE CONTROLLERS GAIN NEW POWER

Men who administered economic curbs in two emergency periods are back in Washington again in high-level posts

WASHINGTON is rapidly taking on the look of 10 and 20 years ago in this second year of the New Frontier.

The controllers of yesteryear are back and raising their voices in the highest government circles.

These are the men who planned, developed and administered wage, price and production controls during the emergencies of World War II and Korea—the only times we have had direct government wage-price regulation.

For example:

H. Gardner Ackley last month became a member of the President's Council of Economic Advisers. He was assistant director of the Office of Price Stabilization (Korea) and was No. 2 man in the consumer goods division of the Office of Price Administration (World War II).

G. Griffith Johnson was appointed assistant secretary of state for economic affairs two months ago. He handled price controls on steel and capital goods for OPA and helped set up OPS.

W. Willard Wirtz is under secretary of labor and a key government figure in critical labor disputes. He was chairman of the Wage Stabilization Board which took over from the National War Labor Board during the reconversion period.

Edward F. Phelps, Jr., began planning emergency economic controls in the Eisenhower Administration and currently heads the office of industry and finance in the Office of Emergency Planning. He directed control of food prices for OPA and was assistant director of OPS.

Archibald Cox is solicitor general. He was chairman of WSB of Korean days but quit after President Truman approved a mine workers' wage increase which the WSB had disallowed as inflationary.

Henry H. Fowler is under secretary of the treasury. In the Korean period he was director of the Office of Defense Mobilization and headed the National Production Administration.

Nathan P. Feinsinger has been in the thick of the airlines' labor troubles as chairman of the presidential commission appointed to settle the dispute between the flight engineers and airline pilots unions. He was chairman of the WSB, whose recommendations in the steel dispute of 1952 led to government seizure of the mills and a two-month strike after the Supreme Court ruled the seizure unconstitutional.

William E. Simkin is director of the Federal Mediation and Conciliation Service. He was one of the top wartime labor disputes mediators.

George W. Taylor is an influential public member of the President's Advisory Committee on Labor-Management Policy. He was chairman of the National WLB, author of its "Little Steel" wage formula, and organizer and first chairman of the Korean WSB.

There are others:

On Capitol Hill, Sen. Wayne L. Morse, Democrat from Oregon, has introduced a bill which would give

(continued on page 42)



H. GARDNER ACKLEY, a veteran of OPA and OPS, is new member of Council of Economic Advisers



ARCHIBALD COX, solicitor general, resigned as WSB chief in a dispute with President Truman

PHOTOS: WIDE WORLD



W. WILLARD WIRTZ, under secretary of labor, once was chairman of Wage Stabilization Board



G. GRIFFITH JOHNSON, was a price control expert, has been named an assistant secretary of state

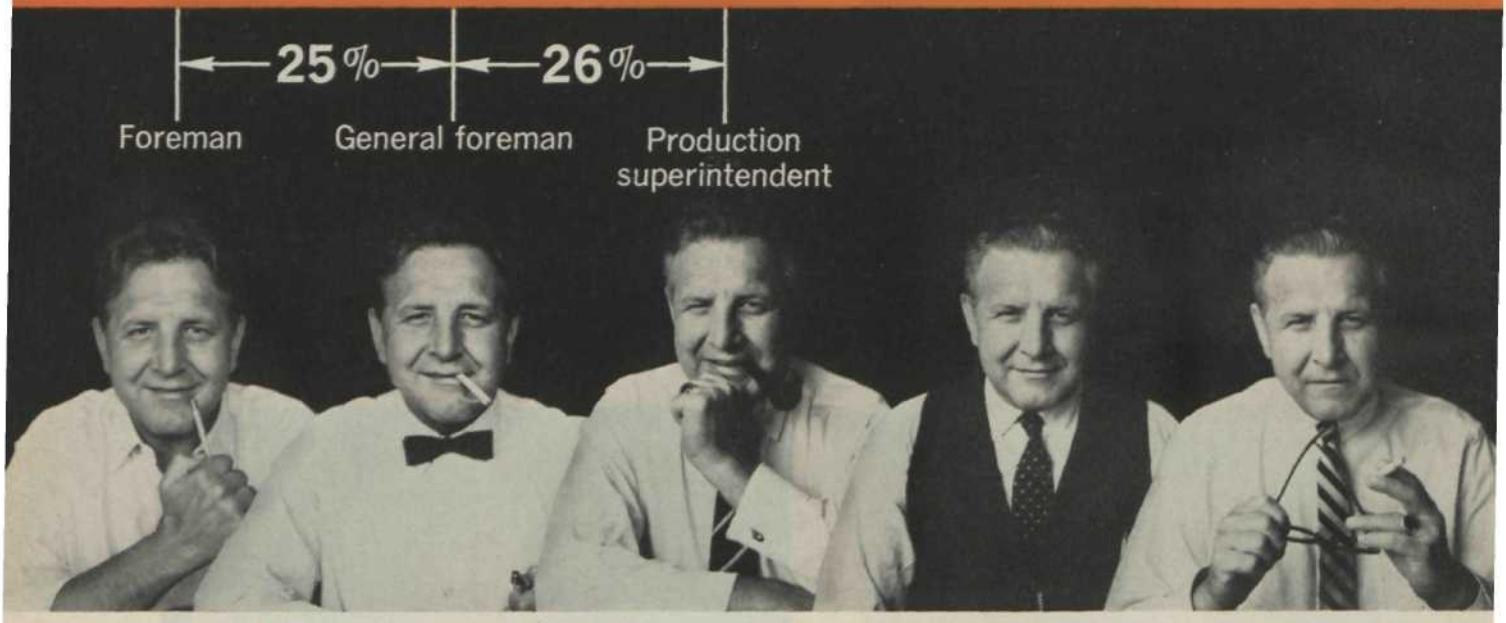


WILLIAM E. SIMKIN, who was a wartime arbitrator, directs Federal Mediation and Conciliation Service.



HENRY H. FOWLER, now under secretary of treasury, was boss of ODM during Korean war

Top pay must be high enough that lower-level managers have incentive to advance. In 10-level structure below, president



ARE YOU UNDERPAID?

Two yardsticks provide best measure of executive salaries

PROBABLY NO TWO PEOPLE would agree on the size your paycheck should be. Some, including you, would likely think it's too small. Others might think it's too big.

Executives' salaries have caused arguments for years among scholars, laborers, politicians and executives themselves.

Often such discussions bog down in a confusion of prejudice: "How can an executive possibly be worth $100,000 a year?"

Skeptics argue that no man can be worth that much. They calculate that if he works 50 weeks a year he is getting $2,000 a week, $400 a day and $50 an hour. If a competent foreman gets $4 an hour, how can an executive be worth more than 10 times as much?

Defenders of such salaries point out that the executive is called upon to make important decisions which can result in millions of

would need to be paid more than $100,000 so first supervisor could get $8,000 with 33 per cent average spread up the line



dollars in profit or loss. In consideration of this, they say, $100,000 is not much. They cite examples of executives who have changed companies on the brink of ruin to highly profitable enterprises. Are these executives overpaid?

Both parties to this argument usually overlook the basic facts that are involved.

Two simple yardsticks can be used to judge an executive's salary. He is properly paid when his salary is logically and reasonably related to:

- Those of other executives in his own company.
- Those of similar executives in comparable companies.

Applying these two yardsticks is difficult. The higher an executive goes the harder it is to evaluate his job, and the harder it is to get comparable pay information from other companies. Yet many companies are recognizing that pay inequities are most serious at the executive level because such inequities are often compounded in the levels below.

Measuring the job

To apply the first yardstick, more and more companies are trying to evaluate executive jobs, even that of the chief executive. Some job evaluation plans are simple, such as common ranking; others attempt to compare various factors such as know-how needed for each job and to judge the importance of each. (In fact, some companies' plans have collapsed under their complexity.)

The method of evaluation, plain or fancy, isn't so important in itself. In any event, it forces the *(continued on page 71)*

A LOOK AHEAD by the staff of the

Farm costs rising

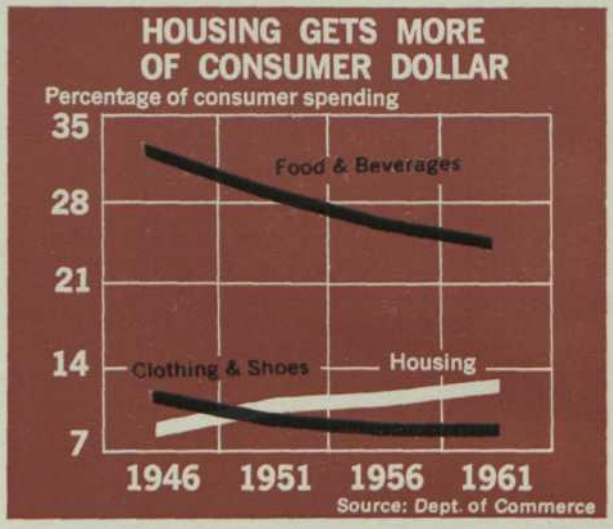
(Agriculture)

Export insurance ready

(Foreign trade)

Wage-hour study set

(Labor)



AGRICULTURE

Farm production expenses reached a record high of $27.1 billion in 1961, nearly a $1 billion increase over the previous year. At least a $500 million increase is likely for 1962.

Farm real estate taxes will be up another six per cent in 1962. Interest rates have leveled off but the total charges are steadily rising along with the volume of loans. Expected declines in the use of hired labor may be enough to offset higher wage rates this year.

Farmers will have to spend more this year for such farm-produced items as feed, seed and feeder livestock, according to the U. S. Department of Agriculture. Expenses will also be greater for several items of nonfarm origin, particularly farm machinery, tractors and automobiles.

Little change is expected in the outlay for fuels, building supplies and fertilizers.

The Department of Agriculture has predicted that farm income for 1962 will be about the same as last year.

COMMUNICATION

Business can expect an increase in postage costs this year.

The House-passed bill would increase first-class letter and airmail postage by one cent—from four cents to five cents and from seven cents to eight cents, respectively. It would place an additional handling charge of one cent on magazines and newspapers. Also, an additional one cent on advertising circulars, raising them from 2.5 cents to 3.5 cents.

The Senate Post Office Committee appears sympathetic to protests of business mail users. It is almost certain that the House bill will not become law but legislation providing the increase in first-class letters and airmail, while cutting back the increase on magazines, newspapers and advertising circulars, is expected to be passed.

CONSTRUCTION

The long-term market outlook for the housing industry is bright. Consumer expenditure patterns continue to trend toward substantial increases in outlays for housing—while some other areas of essential expenditures show downward trends.

The chart above shows changes in the proportions of the consumer expenditure dollar going for housing, food and beverages, and clothing and shoes.

Transportation and purchase of other goods and services not related to home operation have generally moved, along with housing, toward larger shares of the consumer dollar.

It's often said that as income rises, the proportion spent on necessities decreases, while the proportion spent on luxuries increases.

Housing, by demonstrating the advantages of greater quantities and qualities of living space, is continuing to add large luxury dimensions to a basic necessity market.

CREDIT & FINANCE

Finance legislation has been slow in coming out of the Eighty-seventh Congress thus far. During the first session, only four bills directly related to financial activities were signed into law.

At this time, it seems unlikely that major finance legislation will be enacted during this session. However, major changes are expected to be introduced next year.

The Comptroller of the Currency has a large number of recommendations for legislative action, and the reports from the President's special finance committees are expected to launch new legislation for the Eighty-eighth Congress.

FOREIGN TRADE

United States exporters may now obtain insurance covering credit and political risks in overseas sales on terms of up to five years.

The newly available medium-term policies can be obtained from the Foreign Credit Insurance Association, which operates in cooperation with the Export-Import Bank of Washington.

The FCIA is an unincorporated association whose membership numbers 71 companies. Membership is open to all qualified and responsible insurance companies.

Both the medium-term export credit insurance policy and the

regular short-term policy are offered to exporters through agents of member companies and general insurance brokers throughout the United States.

The two policies are designed to help American exporters meet increasing competition from foreign exporters, who, for the most part, have the benefit of export credit insurance plans abroad.

Credit risks include insolvency of buyer and protracted default of payment. Political risks include currency convertibility restrictions, export and import restrictions, war, revolution, civil commotion and expropriation.

GOVERNMENT SPENDING

Official government statistics refute three myths about government salaries.

Many contend that: 1. Government salaries are inadequate to hire and hold trained personnel. 2. Government salaries have not kept up with cost of living increases. 3. Government salaries are far below those paid in private industry.

Here are the facts: 1. *Federal Employment Statistics Bulletins* of the U. S. Civil Service Commission for 1958 through 1961 disclose that the quit-rate averages per 100 employes are 0.75 per cent for all federal employes and 0.56 per cent for postal workers against 1.11 per cent for manufacturing industry employes. 2. In the period between 1939 and July 11, 1960, the date of the last federal pay raise, the consumer price index increased 113 per cent. During this same period the pay for clerks and letter carriers increased 179.1 per cent, and the pay for beginning grades in regular government service increased by 152.8 per cent. 3. The Commerce Department's *Survey of Current Business* puts the average annual income of federal civilian government employes at $6,285. This is higher than any of the average salaries of the private sector.

LABOR

The Labor Department has scheduled hearings to start Oct. 15 on the white-collar exemptions of administrative, executive and professional employes in retail and service establishments from the minimum wage and overtime requirements of the Fair Labor Standards Act. Retail and service industries came under the law for the first time in 1961.

The Act gives the Labor Department express authority to define these exempt classifications.

Last spring the Department held hearings on exempt employes covered by the law prior to the 1961 amendments. The current salary tests, set in February, 1959, are $80 a week as a minimum salary for executives and $95 a week for administrative and professional employes.

Management urged elimination of the salary requirement and recommended that the Department concern itself only with the primary duties of an employe to ascertain whether he is engaged in a bona fide exempt capacity.

Organized labor urged a salary test of $125 weekly for executives and $150 for administrative and professional employes.

MARKETING

Today's competitive struggle for more sales and profit dollars is prompting service and retail businesses to feature a host of new customer services and conveniences.

The vending machine, dispensing cigarets, coffee, candy, pastry, soft drinks, is a prime example of these extra features.

The automatic laundry and automatic dry-cleaning establishments are finding, notes one trade authority, that the customer can be persuaded "to make a variety of purchases while waiting for the coin-operated machines to complete their functions." Hence, an opportunity not only for vending machines but for rack jobbers as well.

Manufacturers' shipments of vending machines in 1961 totaled $171 million—a 14 per cent increase over 1960.

NATURAL RESOURCES

Much interest has been aroused by the proposal of the Consolidation Coal Company and the Texas Eastern Transmission Corporation to build a coal pipeline from the coal mines of West Virginia to several electric utilities on the Eastern Seaboard. It has resulted in an attempt by two eastern railroads to cut coal-haulage costs by use of shuttle trains which operate as a unit from the mines to the utilities, doing away with the delay of sorting cars at railroad yards and many stops.

The U. S. Bureau of Mines has come up with a preliminary study showing the transportation rate by coal pipeline would be $2.66 per ton, an average net saving of approximately $1.93 per ton over present rail rates. Comparable costs for rail shuttle trains ranged from $2.50 to $3.50 per ton. If electricity were generated at the mine mouth to eliminate transporting the coal, the study estimated total high voltage costs at .85 mills per kilowatt-hour for 50 per cent reliability and 1.07 mills per kw.-hour for firm power, compared with an average of .62 mills per kw.-hour for the electricity from pipeline coal.

TAXATION

The much-amended tax bill will probably come up for a final Senate vote sometime this month. As reported by the Senate Finance Committee, the bill differs considerably from the House-passed version.

Led by Chairman Harry F. Byrd of Virginia, the Senate Committee deleted the proposal to withhold taxes on dividends and interest, the big revenue producers.

Sections dealing with taxation of foreign source income are still alive. Basically, these proposals, if enacted, would place U. S. businesses operating abroad at a great competitive disadvantage with businessmen of other nations.

Many believe there is a serious inconsistency between these sections and the Trade Expansion Act. The change in the taxation of foreign source income would make it difficult, if not impossible, to achieve one of the primary objectives of the trade bill—namely, to maintain the competitiveness of American industry in world markets.

CONTROLLERS

continued from page 36

the President authority to seize a business to prevent a strike which would create a national crisis. Senator Morse was a public member of the War Labor Board and, just before Pearl Harbor, was chairman of a presidential emergency board which recommended a wage rise in a threatened railroad strike.

Two other members of the President's labor-management advisory group served on the War Labor Board. Clark Kerr, president of the University of California, was chairman of the San Francisco Regional WLB. David L. Cole, still a leading arbitrator, served on and headed many important wartime wage-dispute boards. Chester Bowles, wartime price stabilizer, is special assistant to the President on international affairs.

Kermit Gordon, member of the Council of Economic Advisers, was an economist with OPA and OPS.

Mr. Ackley says any inference that he came to Washington to plan controls is misleading.

"I consider myself a working economist with no particular doctrine," he told a NATION'S BUSINESS editor. "This is a professional job which offers a challenge. I don't consider myself a politician seeking a particular objective."

Mr. Ackley and Mr. Gordon comprise two thirds of the President's economic council. The chairman, Walter W. Heller, was a fiscal economist in the Treasury Department during the war, but otherwise has no background in direct economic controls.

Mr. Wirtz says it is a pure coincidence that so many who were involved with wartime wage controls are back in the nation's capital.

"It only shows that most of the people experienced in the labor-management relations field are alumni of the War Labor Board," he says. "That is where you find the talent. There's no intention here to impose controls."

Dr. Taylor makes somewhat the same point.

"The pros are coming back, that's all," he told an editor of NATION'S BUSINESS.

"I don't think anybody wants to put on controls; nobody likes them, particularly those who have been involved with them.

"You can't have controls and the right to strike at the same time. That's why they didn't work during the Korean emergency.

"I don't think the President wants controls, especially after the reaction to his forcing the steel industry to roll back price increases."

Dr. Taylor, who has criticized the Administration's guideposts for noninflationary wage and price adjustments as possibly resulting in larger, rather than smaller, wage increases, feels that unions and management should develop their own procedures for maintaining wage-price stability.

He has in mind something like the labor-management committee at Kaiser Steel which meets regularly to work out problems and also bargains with the help of three outside experts, including Dr. Taylor.

Mr. Cox, who was the President's labor adviser when he was a senator, has no responsibilities in the economic field as solicitor general. But both he and Mr. Wirtz have spoken out for more government intervention to assert the public interest in labor disputes.

Mr. Cox says that "acceptable ways" must be found "for bringing the public interest to bear in critical wage-price decisions."

Under present conditions the public consequences of wage and price decisions freely made by management and labor can be so serious that "government must have the opportunity to bring those consequences to bear in the making of the decision," according to Mr. Cox.

He says a plan should be devised for expressing the public interest in key wage and price decisions which would provide for an exchange of information before a showdown such as took place in the steel price crackdown of last April is unavoidable.

Mr. Cox doesn't believe we are limited to a simple choice between private enterprise and free collective bargaining or public regulation.

"There would seem to be a wide range of possibilities between nonintervention, on the one extreme, and public regulation through orders backed by the force of the law on the other," he says.

Mr. Wirtz says that the increased activity of the federal government in labor-management affairs is not a movement toward more centralized decision-making, but rather a spreading of the responsibility beyond the parties involved.

The government is in the picture representing the common interest, not a special interest, and consulting with both union and management not to settle disputes, but to analyze problems and develop proposals which will prevent disputes from developing, he says.

Mr. Simkin says that collective bargaining is becoming more a two-way street, with more employers making demands of their own and pressing them harder in order to

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Example: a contractor was having some Italian marble shipped from Milan, Italy to St. Louis, Mo. Insurance was needed to cover possible damage to the marble every step of the way—from quarry to dockside...aboard the ship... on the freight train...during transfer from train to truck... while being trucked to the construction site and until set in place. To provide the necessary protection, several separate policies were written in several companies.

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continued

regain efficiency and cut costs to meet competition.

This, the insecurity of jobs as a result of heavy unemployment, and a misconception of the Administration's guideposts are largely responsible, he feels, for the recent rise in strikes and the prospect of a continuing high level of labor disputes over the next few years.

"More employers are asking for contract changes and really meaning it," the 55-year old former arbitrator says. "I think this is the result of competition and, quite frankly, situations where a company has over the years gone too far in yielding to union demands for work rules which have undermined operative efficiency.

"Many of the companies are now attempting to recoup or restore what they consider a better balance, and there is no doubt that in some situations they have been successful."

He says the guideposts published by the Council of Economic Advisers last January are sound, "but they are not intended as a rigid wage stabilization formula.

"The general idea," he explains, "is that if wage increases, in the aggregate throughout the country, exceed the increase in the rate of industrial productivity, the more or less inevitable result is inflation.

"That is a sound hypothesis. Difficulty arises when employers construe the guideposts as automatically limiting wage increases somewhere in the neighborhood of three per cent and, on the other hand, unions think the guideposts give them an automatic right to at least a three per cent increase."

More power for President

Mr. Johnson, the assistant secretary of state for economic affairs, was consulting economist in the late 1940's for Nathan Associates, headed by Robert R. Nathan, economic consultant to unions and onetime president of the Americans for Democratic Action.

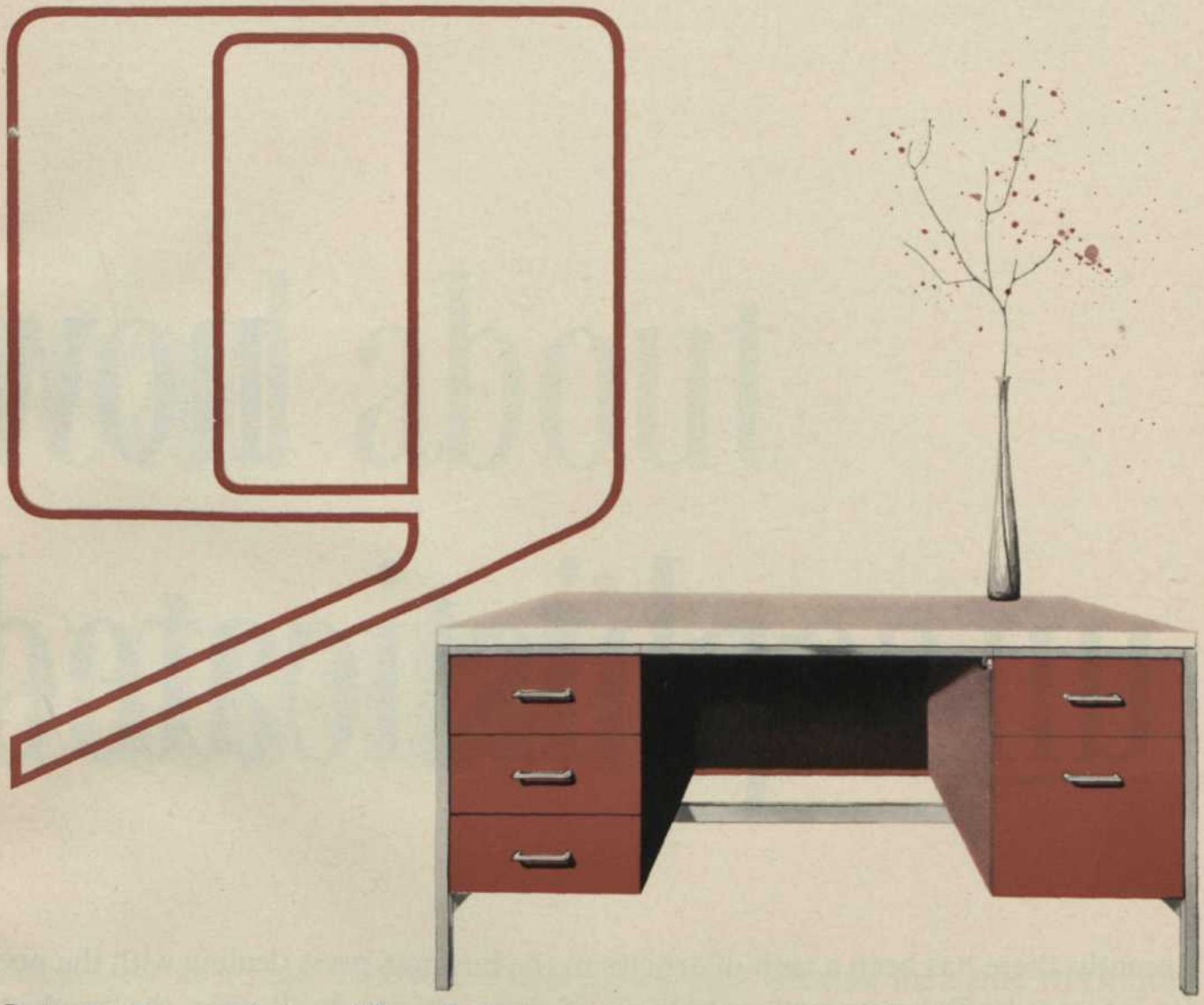
(Nathan Associates published two studies for unions in 1949. One, "A National Economic Policy for 1949," was prepared for the old CIO. The other, "Economic Position of the Steel Industry, 1949," was prepared for the United Steelworkers to support its wage demands.

Mr. Phelps, in OEP, is responsible for planning preparedness for

(continued on page 48)

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now un-sophisticated

Recently, there has been a rash of articles in the business press dealing with the need for increased office automation. ■ Most of these articles dwell upon the "sophisticated" automation of the giant computers–complete with highly technical language, difficult for the average businessman to understand. ■ Such articles often leave businessmen with the notion automation *means* giant computers–and nothing else. ■ Just for the record, *it does not.* ■ Actually, the bulk of business automation is done on small, simple-to-use punch-tape and punch-card machines. ■ These machines bring automation to the vast area of business activity which so desperately *needs* automation: the area of preparing the endless day-to-day *basic business documents.* ■ We mean documents like sales orders, purchase orders, production orders; the documents of billing, inventory control, shipping, and inter-office communication. ■ In short, the paperwork every business, large or small, is forced to create over and over again, in order even to exist. ■ Right now, thousands of firms still create these documents manually. This means the work is done slowly, often

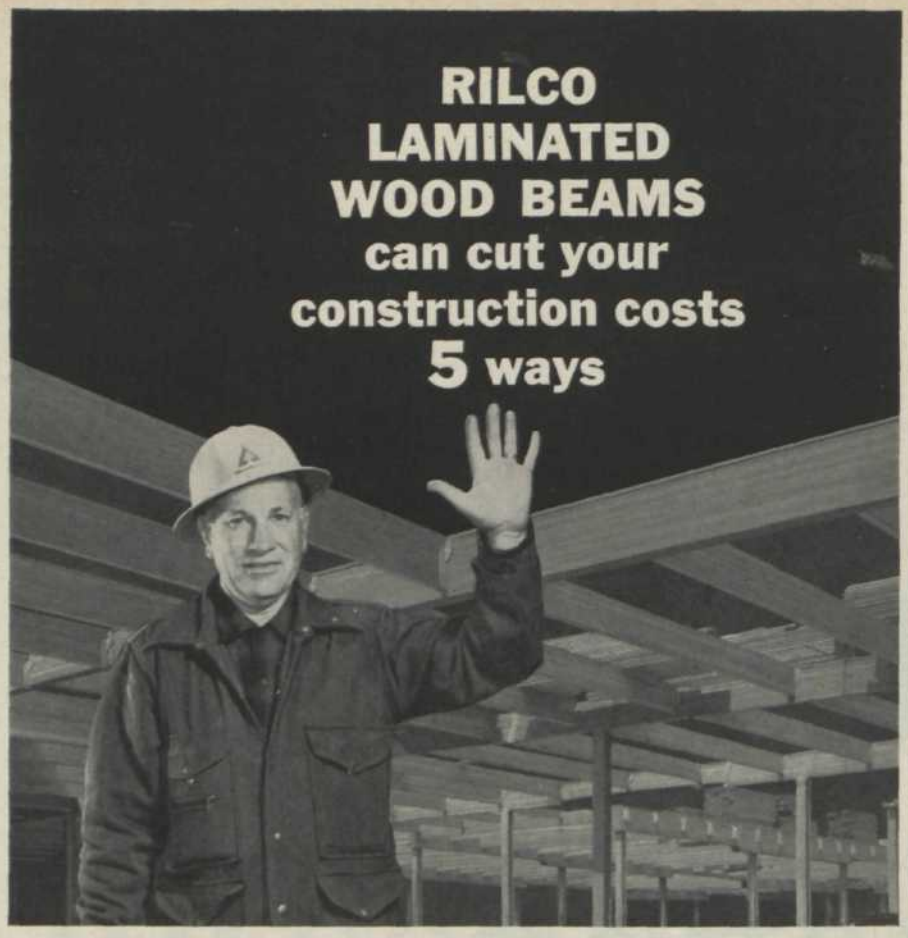
read about automation

inaccurately, at a huge expense of time and money because the same work must be done over and over. ■ Why? ■ *Because many businessmen are unaware that automation can be low-cost, simple to operate, and easy to understand.* ■ Yes, it can! ■ For instance, Friden punch-tape machines can write purchase orders right down to the "authorized by"–and the operation is largely automatic. They can write your sales orders, production orders, and do all your billing–including typing and arithmetic. ■ Other Friden machines let your workers *dial* reports, instead of writing them. And many other things you may still be doing manually. All *without* complicated technical language. ■ The man with the full story on "un-sophisticated" automation is your local Friden Systems man. Call him for complete details. Or write: Friden, Inc., San Leandro, California. ■ THIS IS PRACTIMATION: practical automation by Friden–for business and industry.

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varying kinds of emergencies with respect to economic stabilization, transportation, production and distribution, fuel, energy and water resources. (See "Emergency Controls: What to Expect," NATION'S BUSINESS, November 1961.)

Senator Morse is among those who would give the President more power in coping with critical labor disputes. President Kennedy himself has not yet asked Congress for new labor legislation, although he had said in his election campaign that he should have "an arsenal of weapons" available.

The Morse bill, pending in the Senate, would authorize fact-finding boards to make recommendations for dispute settlement, if requested by the President. The President would also be given authority to seize and operate a private facility if necessary to prevent a national emergency which might stem from a strike.

The President has indicated he would like to have seizure powers. Secretary of Labor Arthur J. Goldberg defended the 1952 steel industry seizure in the Supreme Court as counsel for the Steelworkers Union.

Sen. A. S. Mike Monroney, Oklahoma Democrat, has introduced a bill which would authorize compulsory arbitration of jurisdictional disputes on airlines. The President has expressed general opposition to compulsory arbitration.

Three of the President's labor-management advisers, Dr. Taylor, Mr. Kerr and Mr. Cole, were among a group of "public" experts who made a study and report on the public interest in national labor policy.

With respect to disputes which threaten a national emergency, the group recommended that the President's role be less predictable than it is now under the procedures of the Taft-Hartley law.

They urged earlier presidential intervention before a controversy reaches the critical stage, the option of asking for recommendations from fact-finding boards, and authority to require operation of only part of an industry as a means of averting a crisis.

Deciding what part of an industry must continue operating and what part could be struck would seem to give the President tremendous power over the life and death of a business. **END**

PERSONAL OUTLOOK

How executives use leisure time

What would you do with two extra hours a day?

Sociologists say your leisure time will increase in the future. (See page 14 for another view.)

Average executive now works, including homework, about 55 hours a week.

Studies by Dr. Alfred C. Clarke of Ohio State University show significant differences of leisure use by different occupational groups.

Almost half top executives would read, study or work at their job if they had two extra hours.

The highest proportion of those at the other extreme of the occupational ladder would use the time to rest, loaf, relax, sleep.

Percentage responses on the executive level were: read, study—27.9; relax, rest, loaf, sleep—24.7; work at job—19.8; house work—8.5; with family, play with children—4.3.

Chances are slight you'd use the two hours as a spectator. Only four per cent of the top executive level devote most of their spare time to spectator sports.

Recreation spending is up

How much will you spend on recreation this year?

It's likely to be at least $3,600 if you're in the $100,000 income bracket.

At least $1,800 if you're near $50,000.

Studies show upper income family spending averages 3.6 cents of each dollar.

When travel is added it comes to 10 cents.

Dr. Max Kaplan of Boston University says the proportion of family recreational spending has gone up somewhat in recent years.

Contrary to widespread notions, he finds that as your income goes up the proportion used for recreation does not increase. You already have garden, tools, games, recreation room.

Dr. Kaplan's findings show recreational expenditures for middle income families are about five cents on each dollar.

For lower income families, 3.8 cents.

A map for all seasons

You can get a map of your neighborhood at nominal cost.

Interior Department's Map Information Office has 23,000 different topographical maps, aerial photos of the entire U.S., information about other agencies' products.

You can use MIO materials for decoration, aid in selecting home or plant location, recreational guides, study, litigation.

For 70 cents you can get a 9-by-9 inch aerial photo of your neighborhood. There are several enlargement sizes; biggest—40-by-40 inches—is $5.50.

Outstanding buy is the nine-color official U.S. wall map—now $4. A new 22-square foot map of national parks, forests, monuments will be published this fall.

Army Map service has hundreds of worldwide, 200 molded plastic relief, and four moon maps.

How much to tip

Here's the latest tipping advice:

The American Hotel Association has published a guide for visitors from overseas. Dis-

tributed by the government's travel service, it says:

Tip airport porters not less than 25 cents, railroad redcaps not less than 35 cents for carrying a suitcase.

About 15 per cent is customary in good restaurants; slightly higher in better ones; slightly less in ordinary ones. Coat, hat checking calls for 10-25 cents depending on the type of place.

Tip hotel bellman about 25 cents per suitcase; doorman 15-25 cents if he gets a taxi.

About 15-20 per cent for meals served in room. Leave chambermaid not less than $1 if you stay several days.

Minimum of 15 cents for shortest taxi ride; 20 cents when meter reads 60 cents to $1; about 15 per cent thereafter.

About 25-50 cents for haircut or manicure; 25 cents for shave; 15 cents for shoeshine; 10 cents for clothes brushed.

On the town for free

If you can't get a ticket for a Broadway hit, try an offbeat evening at the Gagwriters-Comedy Workshop just off Times Square.

Young comedians meet to try out ideas Tuesday and Thursday evenings in a rehearsal studio at 225 West 46th St. The public is invited; no charge.

The show biz aspirants want careers but can't afford to give up their jobs. Daytime work includes clerking on Wall Street, teaching, writing advertising copy.

Some antedate Joe Miller during the 8 to 10 p.m. sessions, others may become top bananas.

Dick Shawn, Milt Kamen, Will Jordan are graduates. Sam Levenson, Buddy Hackett, Orson Bean, Milton Berle, Wally Cox have lectured.

Helping your child's career

Should you try to guide your child's career choice?

BFS Psychological Associates says the answer is yes—if it's done properly.

Many executives admit: "I've no difficulty viewing objectively and providing effective guidance for my subordinates. But, when it comes to my son, I flounder."

Career planning must not be left entirely to the youngster, schools, chance, says Dr. Mortimer R. Feinberg, BFS president. He offers these guidelines:

1. Help youngster gauge his best abilities, interests. Help him limit possibilities without tying him to fixed choices.

Most important—resist temptation to believe he's best suited to follow in your steps.

2. Encourage individual competence no matter how much the activity varies from your bent. Encourage hobbies, part-time jobs.

3. Avoid pushing for premature choice. Keep avenues open at 16-17 as long as he's aiming at higher education. Expect choice changes.

4. Don't push for college if youngster is in lowest fourth of high school class, scores 110 or under in general I.Q. test, shows little intellectual curiosity.

5. If he's still testing career ideas at 20 encourage him to narrow to a single interest.

BFS says professional counseling is usually needed only when youngster is having trouble with schoolwork, social relationships; has no general ideas about career.

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The merchant who did something about the weather!



"Everybody talks about the weather, but nobody does anything about it." (Mark Twain.) This merchant got tired of losing business every winter because icy streets kept customers at home . . . decided he would do something about it!



So he brought up the problem at a Chamber of Commerce meeting, found everybody else was losing business too. Next step: to see to it that the city starts to use ice-melting salt, to keep streets "open for business" all year long!



Using facts and figures supplied by Morton Salt Company, a committee of businessmen convinced city government that bare pavements are good politics, as well as good business. That winter, streets were kept clean with Morton Safe-T-Salt.



Now business is up all winter long, regardless of weather severity. Shoppers are happy, so merchants are happy—voters are happy, so city government is happy. Moral: Mark Twain was a wonderful writer—but don't believe everything he said!

Bare pavements mean good business for everybody. But icy streets and sidewalks hinder traffic, annoy shoppers, slow down deliveries, endanger vital services.

Your city can't afford this—but what are the alternatives? *Sand, cinders and abrasives?* They won't remove ice and packed snow, are easily dispersed by wind and traffic, leave gritty pavements and clogged sewers. *Expensive de-icing chemicals?* They cost up to twice as much as rock salt, yet actually do a less efficient job than rock salt!

Your best answer is Morton SAFE-T-SALT*, a screened and graded salt especially prepared for ice control. Safe-T-Salt (rock salt) is not only the most economical ice-melting method . . . but also melts more ice.

Morton Salt Company has prepared an informative Safe-T-Salt movie, "Winterlude." Your Morton representative will be glad to arrange a showing for you and your associates. Just give him a call.

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*Safe-T-Salt is a trade-mark of the Morton Salt Company.

EXECUTIVE TALENT

continued from page 35

and wrong decisions will be much more pronounced.

There is obvious pressure on all of us to do a better job with the tools we have. This is a never-ending process. We simply have to find, through whatever means we can, a better way to use management tools and seize the opportunities that lie ahead.

Are you optimistic?

Over-all I am optimistic about the future of the American economy and the role of business in the achievement of a more affluent economy. I have lived a better life than my parents did. My children will live a better life than I—in spite of the complexities that they will face.

The only answer I can give to this is education. I was fortunate to have a better education than my parents.

My children have a better education than I got.

Education does not stop when you get out of school. I am encouraged by the thousands of people in our organization—and I think this is typical throughout the country—who realize that education is a continuing thing.

Some of them enroll in formal courses of additional education; some just work on their own. Long range, I can't help thinking this is going to make a fuller life for the generations to come.

As for the managers of business operations, there will be unprecedented opportunities in the future. Through computers we have, for the first time, the chance to widen management horizons tremendously. Future managers will be able to do things in a management way that have never been possible before. The tremendous speed of computers will provide them with many more facts than they ever had before. This will give him a broader and sounder base for decisions to be made a great deal quicker than ever before—which in turn should make the profession of management considerably better than it has ever been.

Will management by intuition become obsolete?

Of course not. I believe management is just as much a profession as law, education, theology, medicine or anything else you would name, and basically there are fun-



Geraldine Milinowicz of Mercer Savings & Loan Assoc

"Now I print the right stamp instead of licking and sticking"

"Our V.P. ordered this Pitney-Bowes postage meter because the neat postage imprint makes a good impression on customers. Well, it sure makes a good impression on *me*! Now I just print any denomination stamp I want in a jiffy. I don't have to worry about a stamp box or postage account. And no more last-minute trips to the postoffice, either. What a relief!"

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With a meter, you get rid of tedious, time-wasting sopping and sticking adhesive stamps and pre-stamped envelopes. You print postage as you need it, right on the envelope, or on special gummed tape for parcel post. The DM moistens envelope flaps for easy sealing. Makes mailing fast and easy.

The meter protects your postage from loss, damage or misuse, too. It is set and sealed by the U.S. Post Office for the exact amount you want. A glance at the meter registers shows you postage on hand and postage used.

If you're promotion minded, the meter prints your own ad, like this:



Your mail can travel faster, too. Metered mail skips postmarking and cancelling, and often may get on earlier trains or planes.

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EXECUTIVE TALENT

continued

damentals that can be taught and learned.

The availability of more information will not change the professional aspects of the executive function.

You must realize that managers today oftentimes are presented recommendations by their associates or subordinates in fields in which the managers cannot be expert. Oftentimes the group, the person or persons who present recommendations know a great deal more about the subject than the manager who must make the ultimate decision.

As an executive you must base your decision partly on your appraisal of people. Of prime importance is the confidence you have in the men who present recommendations.

There will always be intuitive feelings in the making of decisions. I don't think it will ever be possible to marshal all facts completely in the manager's mind before making a decision. There always will be a place for intuitive judgment.

What do you see as the next major development in data processing?

We are currently moving into phase two of the long-range evolution of electronic computation. The first was the technological phase, in which the concept, speed and versatility of computer systems were brought to a high degree of perfection. The second phase, just now beginning, will be the one in which we really learn how to make full use of the great capabilities of these devices.

Therein lies one of the great challenges to business management in the immediate years ahead.

The impact of data processing will be felt in nearly every business operation. Because of its inherent capabilities, it holds promise of being among the greatest of all inventions destined to increase man's productivity—and hence contribute to our national growth. It will provide an unprecedented stimulant to invention, and consequently to the development of new goods and services.

How will it contribute to invention?

Invention over the years has been a painfully slow process based on practical experience and trial and error—by its very nature a tedious process. Today the analytical school of invention solves major problems before constructing the pilot model of the actual product. Before laboratory testing begins, the inventor knows exactly what he is looking for. Computers provide a short-cut to invention. Time, once an insuperable barrier, is in many cases no longer a factor.

Without computers telephone service would break down. Insurance companies would become hopelessly snarled in paperwork. Radar and antimissile defense networks would fail. Modern warfare could not be waged. The design and piloting of jet planes would become impractical. Some of the more highly automated factories would grind to a halt.

These machines involve many phases of everyday life—every American who pays bills or taxes, who writes or receives bank checks, is on the payroll of a large company or works for the government. Computers forecast weather, allocate traffic on highways and monitor the air lanes. They predict the outcome of sports events, fill magazine subscriptions, maintain stockholder records and sift out election returns. They even determine the most suitable crops to grow on our farms and the most suitable feed for our livestock.

Continuing developments in computer technology will further accelerate the process. There is certain to be a large expansion in the use of industrial process control computers.

The future will see important progress in the perfection of special purpose equipment for military, airborne and space applications. These will involve further miniaturization, possibly the use of high-speed thin-film memories and other specialized techniques. Many of these developments, while specialized in the inception, will find practical application in the commercial machines of tomorrow.

How will computers 15 or 20 years from now differ from those we have today?

The great change, I feel, will be in the development of peripheral or terminal gear, namely pieces of equipment that can be used to do certain specific jobs as the need arises for business to do this. One of these could be in optical scanning. Another could be in communications.

With time will come an increasing dependence on electronic computation in the field of medicine where a computer can analyze a

heartbeat or, by analyzing electrical impulses from our brain, some day may be able to shed light on the way we think.

Already electronic data processing is being used for the diagnosis of disease and in various medical research projects that may have profound impact on the cure and prevention of sickness. One powerful new computer will be used in cancer research.

In what way will computers enlarge management horizons?

Chiefly, I think, they will free executives for more creative management. Let data process do the thankless research and analysis—and more accurately. When electronic data processing is given its fair share of the work load, we will see a corresponding advancement in our knowledge of the world and the universe.

There will be many discoveries as yet undreamed of.

How will individual jobs be changed?

In the U. S. we have a paperwork and record-keeping load that appears to be outstripping the availability of clerical workers. A big company may handle as many as a million pieces of paper in a single day.

The time appears to be approaching when there simply will not be enough clerical help available to process the paperwork that is piling up in business and government offices. Some companies feel they already have reached this stage. Computers, of course, provide an answer.

Computers also are slated to become more actively involved in the actual process of management decision-making as new techniques are worked out in programing. Some companies already are beginning to rely on them for information that will be helpful in guiding their firms with greater efficiency and creativity.

Of course, the computer is not a Ouija board. It will not do all the work for management. But it provides management with a full view of the complex character of business operations and all its manifestations.

The net result to the corporation will be a sharp increase in over-all efficiency and a corresponding decrease in costly mistakes brought about by faulty decision-making.

What other major changes do you expect?

There is no question that com-



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EXECUTIVE TALENT

continued

puters will have an immense impact on our society. This will require human readjustments, some of which may well be painful. Every great invention in history has created its own set of dislocations and has brought with it the requirement for social and economic change. But history has also shown that the over-all benefits of the great technological advances have far outweighed the short-term headaches.

In business especially there seems to be little choice. What is important now is that businessmen gain a clear understanding of the kind of tool they have in electronic data processing and face honestly the transitory problems that lie ahead.

It is clear the answer is to get in the habit of thinking big about data processing and learn how to use it to the greatest advantage. There is a way to reap the maximum benefits from its tremendous power and unparalleled capabilities. This is what we have yet to learn.

This is really saying that we in business must learn to utilize this great tool to its maximum potential.

HOW POLITICS AFFECTS BUSINESS...

In Mr. Wishart's discussions with an editor of NATION'S BUSINESS, he commented extensively on a variety of factors he thinks are affecting the future of business:

Mr. Wishart, what do you think about politics as a force shaping business?

I think the big thing is the honest difference in opinion between some people in political life and the philosophy I have of what is really necessary for the future of this country.

I just can't believe, for example, that deficits are good for the country—not for the long range. We have had many years of budget deficits. If a family lives beyond its means or if a company lives beyond its means, it seems to be the accepted, sound thing to take actions to get back to a balance of expenditures.

And yet in the political area living beyond your income seems to be accepted as a way of life.

Our reputation overseas is pretty well being carried on how we handle our affairs as a nation, and it strikes me that some of our friends overseas have managed their business better than we have.

In spite of the fact that someone can make a good case for additional expenditures, we should not add them on at the rate we have in the past few years.

I realize there is pressure within both political parties for government to spend in many ways, most of which we are willing to accept in principle.

Still they are undertaken at the expense of a healthy economy.

This contributes to cost inflation. Both state and federal expenditures are running at such a rate that it's hard to do things in business that will offset these costs in the profit column.

How do you feel about the growing complexities of government as an influence on management decisions?

Antitrust regulation is an example. The basic laws go back many years.

Every new court decision creates a new set of circumstances. This makes it increasingly difficult to make management decisions as to what the company should do. We don't want to do illegal things. But the rules keep changing.

There is a tendency in our government to be increasingly inconsistent with the application of policies that concern business.

Someone makes a legislative proposal that will change company operations drastically. Then Congress sits on the proposal for a year or two before deciding which way to go.

This causes particular uncertainty in those areas of business that are affected.

Will you illustrate?

At the end of the war businessmen were encouraged by our government to do business overseas. Industry responded. It was good for the economic growth of this coun-

(continued on page 61)

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try, and it was good for the free world. Our company went abroad basically to meet overseas markets. We expanded exports from this country.

Now government wishes to change the taxation policies that apply to operations abroad.

This is taxation for the purpose of implementing a change in government policy intended to influence management decisions. It has only a dubious relationship to the raising of revenues. These tax changes will not raise large revenues. They will reduce overseas investments.

But it seems to me these tax changes will jeopardize some employment in America. They will reduce our ability to export in greater quantities.

In this particular company in Minneapolis alone we currently have 1,700 people on our payroll working purely in the exporting of goods from this plant to overseas places. This tax short-changes these people; their jobs are in jeopardy.

As I see it, these tax changes on firms doing business abroad will work at cross purposes with the announced policies that we need to increase our exports.

Doing anything that will jeopardize our export potential seems to me to work adversely against national economic expansion. Being unable to boost exports means we'll sell less goods and have more unemployment.

That's not good for business and not good for the country.

What do you suggest businessmen do about business problems that are related to government?

We can encourage better people to run for political office, regardless of party. We can pay more attention to legislation, both state and federal. We also can show a willingness to testify on certain legislative proposals on which we have convictions.

There have been many things we have been reluctant to do, thinking our job was to run our companies and stop there.

But there is a greater need to take part in the shaping of public policies that have a bearing on our companies. I don't think businessmen are going any place by merely hammering on the table and exclaiming we've got to have more profits. **END**



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COMING: **NEW LOOK AT OLD LAWS**

Drive mounts in Congress to provide periodic review of multibillion-dollar federal grant-in-aid programs

THE FEDERAL GOVERNMENT will spend an estimated $13 million this year under a program designed to avert a World War I food shortage.

The shortage was a real threat in 1917 when legislation was enacted to provide training for farmers. The following year, 15,453 persons studied vocational agriculture under the program, compared with the enrollment of 805,000 estimated for this year.

Supported by farmer and teacher organizations, the program has survived unscathed by congressional review. It remains so popular, in fact, that this year the states are putting up some $56 million, roughly four times the amount required to match the federal grants.

The question now, however, is whether stimulation of agriculture remains sufficiently in the national interest to justify continued federal aid in these days of mounting farm surpluses.

This and other examples of experience under long-standing federal grant-in-aid programs explain the drive in Congress to tighten controls over them. More than $9 billion is involved this year.

Legislation is under study in both houses of Congress with the threefold purpose of reviewing programs to improve their effectiveness, terminating those that have achieved their original purposes, and revising others in light of changing needs. Several bills would set a five-year expiration date on any new grant-in-aid legislation in which Congress did not specifically waive this requirement.

Within a year prior to its expiration, each program would be referred to the appropriate legislative committee to determine the extent to which the need for it had been met, its prospects for continuing without further federal aid, and whether changed circumstances would warrant its major revision.

Sponsors of the bills, drafted by the Advisory Commission on Intergovernmental Relations, emphasize that their aim is to strengthen desirable grant-in-aid programs, and not to kill off social and welfare legislation as some critics seem to fear.

In fact, some backers say vitally needed programs could be jeopardized by a loss of public support resulting from an unregulated proliferation of grants.

These grants in present form, with federal funds allocated under special restrictions for specific purposes, began with the Morrill Act of 1862, enacted to help states establish public colleges through land grants.

Costs soar

Programs adopted in early years provided for distribution of educational materials for the blind, agricultural research, aid to state soldiers' homes, resident instruction at land-grant colleges, assistance to state marine schools, forestry measures, agricultural extension services, highway construction, vocational education and vocational rehabilitation.

An Advisory Commission report estimates that the amount of federal money spent for these programs, all of which were established before 1930, totaled $3.2 billion last year —almost half the federal grants to states and localities for the year.

Total costs of existing and new grant-in-aid programs have more than tripled in the past decade, rising from $2.8 billion in 1953 to an estimated $9.4 billion proposed for this year. While federal highway aid is the greatest single chunk, public assistance grants have doubled. State spending has doubled during the same period.

Federal funds pumped into the states under such programs have risen in relation to state and local revenue, as a proportion of federal expenditures, and most sharply as a percentage of nondefense federal spending.

A report to the Governors' Conference in Hershey, Pa. in July noted that ". . . it is likely that greater—not less—use will be made of grants-in-aid in the future."

The concern of many in Congress over the future of grant legislation is summed up this way by Rep. L. H. Fountain of North Carolina:

"It seems to me that, even though I myself have voted for many of these very worthwhile programs, if they are going to continue without a thorough reappraisal similar to that given by a legislative committee at the time it originally reports the legislation, we may well see the day in the history of this nation when the federal government has assumed the major share of the financial responsibilities of the states."

It is a cliché in Washington that nothing is as permanent as a temporary building, agency or program.

The Advisory Commission offers this explanation of the truism as applied to grants in aid:

"In the first place, with the initiation of a new grant, vested interests—both governmental and private—in its continuation come into being."

Government staffs created to administer a grant combine a sense of mission with the instincts of organizational self-preservation. The Commission adds:

"Also, those parts of the private sector of the economy which benefit from the grant program, such as professional organizations, suppliers of materiel, or the providers of services which are purchased with grant funds, all are interested in continuing their program."

Thus when new needs arise, the Commission says, the tendency is to add new services rather than substitute them for existing ones.

Only a quarter of some 60 programs has been abandoned, the Commission reports.

These include depression measures such as WPA, day care for children of mothers working in World War II defense plants, and more recently the program of vaccinations against polio.

'Temporary' grant

The self-perpetuating tendency of temporary programs, designed to meet short-term needs or stimulate local interest in activities best financed at the local level, is shown by experience with the Library Services Act, enacted for a five-year period in 1956 to encourage expansion of rural library facilities.

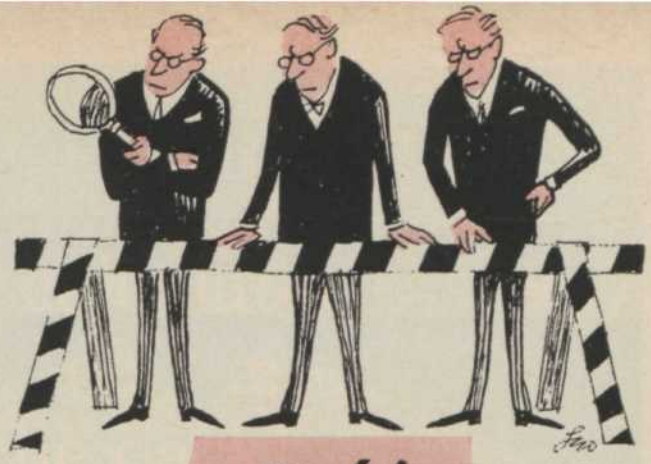
Congressional supporters at the time made such pronouncements as:

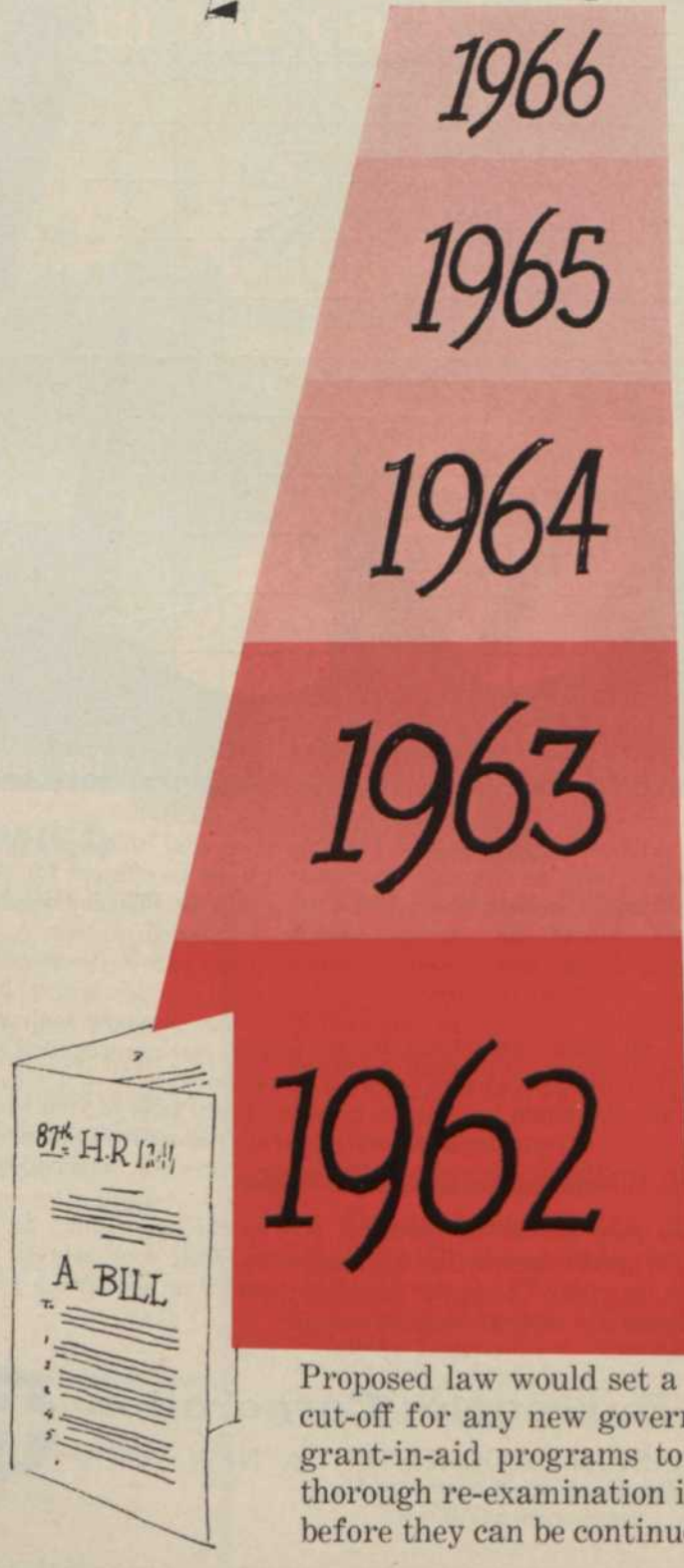
"We have proof that after this period a rural library service program is most likely to be continued through local and state support."

"We are for the library bill because it is terminal legislation . . . It is not the beginning of a continuing federal-aid program."

A major U. S. newspaper editorialized:

"The funds proposed are modest, the period limited. It is believed that local communities in rural areas, having tasted the advantages of good libraries, would then wish





Proposed law would set a five-year cut-off for any new government grant-in-aid programs to guarantee thorough re-examination in Congress before they can be continued

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LOOK AT OLD LAWS

continued

to continue the services with local and state funds."

That was in 1956.

Four years later, when proponents came back to win a five-year extension, the same paper cited the progress under the program to argue for its renewal. And now, the government is being urged to expand the program.

Similar experience prompted the House Government Operations Committee to remark in a 1958 report: "A grant intended for stimulating purposes unfortunately carries with it the hazard that it may resist termination once the federal objectives have been achieved."

These criticisms raise the question of existing congressional machinery for review of such programs.

Representative Fountain, a key sponsor of the control measure, points out that authorization is done by one committee, appropriation by another.

He draws on 10 years of experience in the House in saying that the committees responsible for legislation in their respective areas largely fail to review grants already on the books.

Others point out that appropriations subcommittees lack the power to rewrite programs even if they had the time.

Supporters of the review proposal concede that the legislative committees have the authority to review grants, but argue that little short of the five-year cut-off provision would insure needed review in all cases.

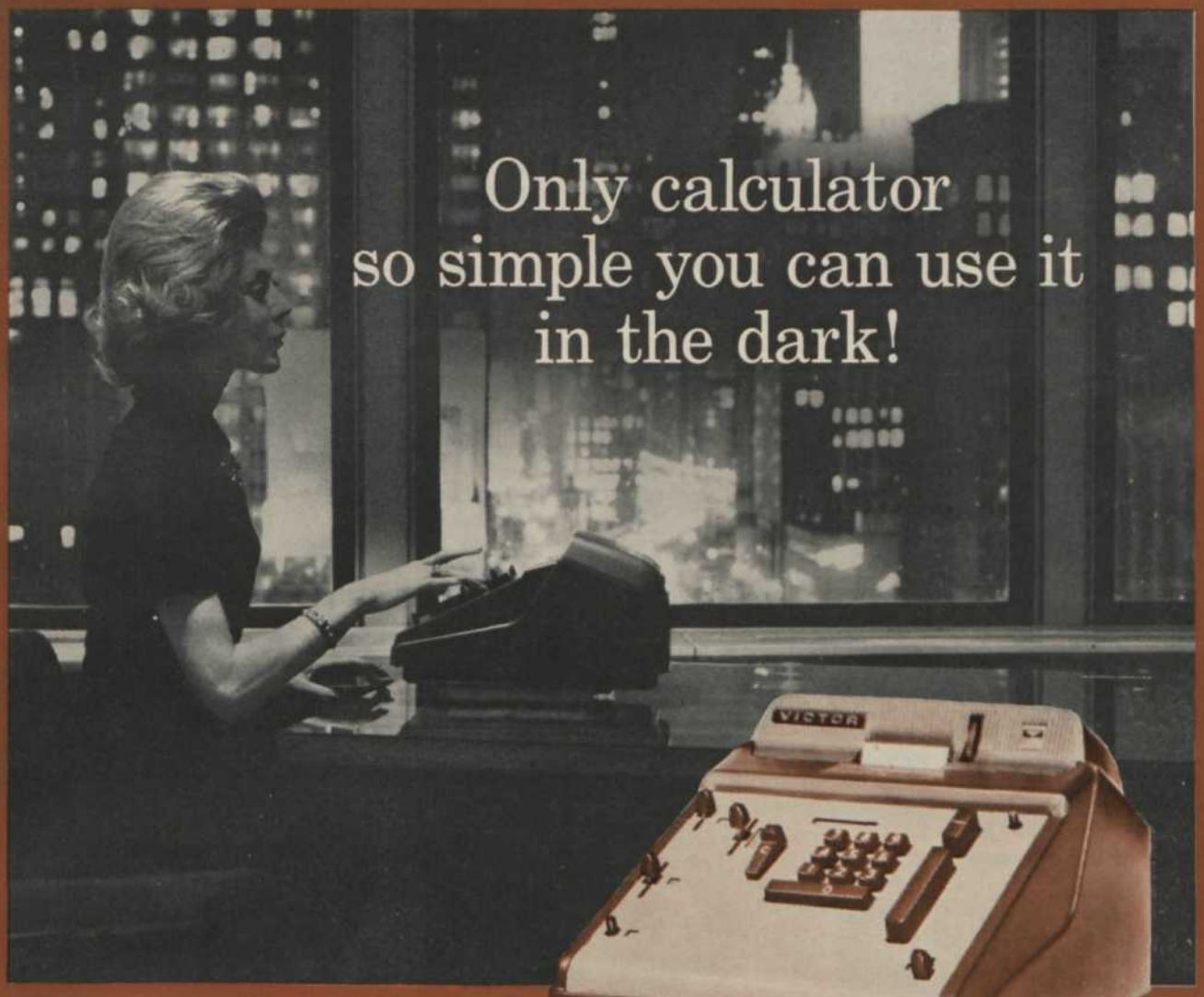
Opposition views

The five-year period is regarded as sufficient time to accumulate experience under a program, too little to allow it to become hopelessly solidified.

Critics oppose the measure as unnecessary disruption of long-term programs, an underhanded attempt to cut off welfare and other social legislation, or a needless burden on all involved.

Some federal administrators feel that planning at federal, state and local levels, as well as recruitment and retention of qualified administrators, would be jeopardized by the five-year cut-off provision.

But William G. Colman, executive director of the Advisory Commission, emphasizes that the measure would allow Congress to



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LOOK AT OLD LAWS

continued

waive the cut-off provision when enacting a new program.

This would require a specific waiver clause in any bill, however, which would alert congressmen at the outset to the fact that the grant-in-aid program envisioned by the sponsors was likely to be permanent.

Fears of a threat to social and welfare programs is believed the basis of objection by the AFL-CIO, since 40 per cent of the grant-in-aid funds requested for this year would be in the health, labor and welfare category.

But supporters point to the backing of the Governors' Conference and the cosponsorship of Sen. Hubert H. Humphrey of Minnesota, generally a friend of government spending for welfare purposes.

The measure is backed as well by the National Association of Counties (until recently the National Association of County Officials), which has supported the majority of grants at the time of enactment.

Wage-price control architects are back in top Washington posts. For a full report see **page 36**

The Association's executive director, Bernard F. Hillenbrand, was questioned about any such dangers at a hearing on an early version of the Fountain bill. His reply: "If we can't defend a program before our critics, the chances are we are wrong."

The measure has been criticized as "unnecessarily burdensome and time-consuming for both the agencies and Congress" by the Agriculture Department, which will administer about $1 billion in grants this year.

Significantly, some other government agencies make no objection on this score, declaring that they continually review their programs and are happy to furnish congressional committees up-to-date information at any time.

The Department of Health, Education and Welfare registered no serious objection, but questioned the effectiveness of the plan.

An HEW spokesman, when questioned about the vocational education program, conceded that he knew of no review of the subject within the preceding 10 years. (One is now under way.)

Asked about grants for resident instruction in land-grant colleges, he could only reply that this represented a long-established program, in a field of great interest to Congress, and costing a "relatively modest" $7 million.

New requests

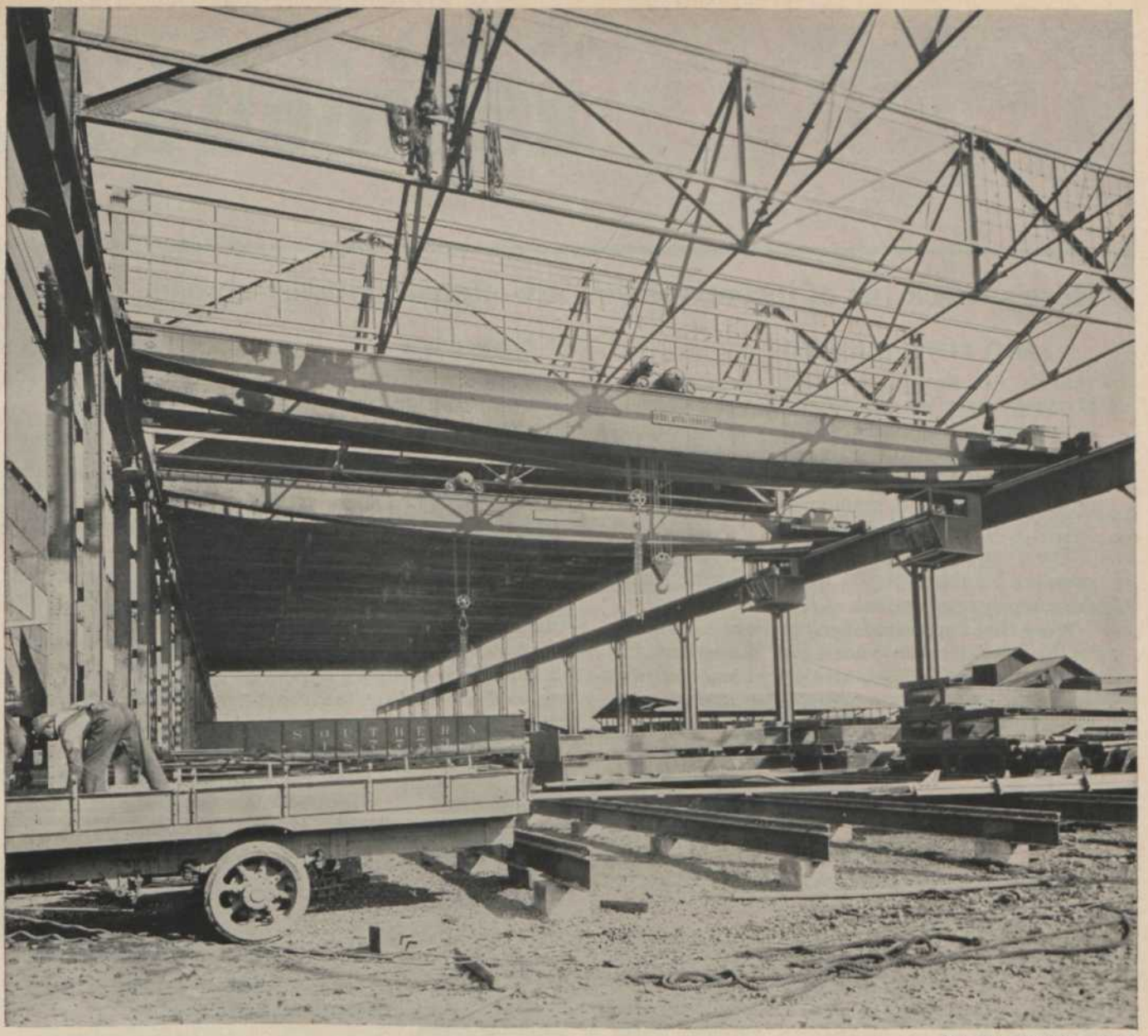
The Fountain bill, sponsored on the other side of Congress by Sen. Edmund S. Muskie of Maine, would apply only to new programs or substantial changes to existing ones.

A Budget Bureau analysis earlier this year included these new program requests: $105 million for construction of civil defense shelters in community buildings; $90 million in grants for public school construction and teachers' salaries; $19 million for state improvement of elementary and secondary education; $8 million in loans for college classrooms; $93 million for improvement of public welfare programs; $20 million for changes in the school lunch program, plus $15 million for improvement of public transportation in urban areas.

Congress has balked at many of these and some have been revised, but they indicate the amounts involved, the scope of activities carried on under grants-in-aid, and the upward trend.

Major increases in existing programs over 1962 estimates, shown in the same Budget Bureau analysis, are: $227 million for federally aided highways, for a total of $3.3 billion; $206 million in public assistance, for a total of $2.8 billion; $152 million in educational assistance, for a total of $694 million; $114 million in civil defense, for a total of $135 million; $103 million in contributions of surplus agricultural commodities to state programs, for a total of $533 million; and $224 million for housing and community development programs, for a total of $753 million.

Some critics have objected that the Fountain bill does not go far enough, that it should cover existing, permanent programs. There have been expressions of considerable support for such an extension, and Rep. Charles E. Goodell of New York is sponsoring legislation to accomplish just that. Observers give the more limited Fountain bill better chances for passage. **END**



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Here's check list of incentives you are offered to invest abroad

MOST OF THE WORLD'S nations want to bring in new business ventures, and they prefer American to any other. To attract our companies, they offer special incentives which provide opportunities for every U. S. manufacturer and many retailing and service industries.

The first and simplest incentives introduced were tax holidays—five to 10 years during which the company pays no tax.

From that beginning, many nations have gone on to offer a wide variety of attractions for new investment. Some provide free land for new plants; some build plants and lease them to new firms at low rates; some give facilities to the incoming company; a few will provide production machinery at no cost; and there are even places where the local government gives a cash grant for working capital.

Almost every nation offers incentives of one kind or another. Those given here were selected either because they provide access to prime markets or because their governments have an exceptionally helpful attitude toward new companies. Information on countries not listed can usually be had by writing: Economic Counselor, Embassy of ———, Washington, D.C.

Here is a summary of some of the main areas that offer incentives to incoming businesses, what lines they want, and how to go about getting more details on each one:

AUSTRALIA

(Help available mostly in undeveloped areas.)

LOANS, GRANTS, OTHER SPECIAL HELP

Some regional governments lend up to 50 per cent of the value of new investment. Subsidies on water and power costs. Subsidies to reduce freight costs. Help with employe housing. Extensive advisory assistance.

TAX INCENTIVES

None.

NEEDED BUSINESSES

Chemicals, heavy industrial lines, advanced consumer lines, central heating, air conditioning, frozen foods, floor coverings, mutual funds, scientific instruments, office machines, farm machinery.

WHERE TO WRITE FOR DETAILS

Australian Trade Commission, 636 Fifth Avenue, New York, N.Y.

BARBADOS ISLANDS

LOANS, GRANTS, OTHER SPECIAL HELP

Factories leased at subnormal rates. Some factory sites ready for occupancy; others will be built to tenant's specifications.

TAX INCENTIVES

Seven-year exemption from income taxes. No customs duties on imported raw materials.

NEEDED BUSINESSES

Textiles, clothes, building materials.

WHERE TO WRITE FOR DETAILS

Barbados Development Board, Bridgetown, Barbados.

(Useful suggestions for companies considering investing overseas are also available from the Chamber of Commerce of the United States.)

BELGIUM

(Areas with significant unemployment.)

LOANS, GRANTS, OTHER SPECIAL HELP

Government-guaranteed low-interest loans. Rates as low as one per cent. Grants of up to 20 per cent of construction costs and 7.5 per cent of new equipment cost.

TAX INCENTIVES

Tax exemption on up to 30 per cent of profits in first three years. Five-year exemption from real estate tax if construction grant was given on plant.

NEEDED BUSINESSES

Advanced consumer goods and services. Equipment and know-how to modernize distribution and merchandising.

WHERE TO WRITE FOR DETAILS

Belgian Industrial Information Service, 50 Rockefeller Plaza, New York, N.Y.

U.S. business

CANADA

LOANS, GRANTS, OTHER SPECIAL HELP

Industrial Development Bank lends at going bank rate. Several provinces have separate development funds. Government gives advice on sites. Some municipalities build plants, credit rentals toward ownership in 10-15 years.

TAX INCENTIVES

Accelerated depreciation for firms in depressed areas, making new products.

NEEDED BUSINESSES

Furniture, wallboard, paper products, paper-making machinery, tractors, diesel engines, aircraft engines and parts, small retail businesses in rural areas.

WHERE TO WRITE FOR DETAILS

Industrial Development Branch, Canada House, 680 Fifth Ave., New York, N.Y.

DENMARK

(Most of nation outside Copenhagen.)

LOANS, GRANTS, OTHER SPECIAL HELP

Loans or guarantees up to 90 per cent; 15-year term on plants, 10-year term on machinery. Grants for site preparation and building. Local government grants also possible to buy building sites.

TAX INCENTIVES

None at national level. Local governments give some exemptions to attract new industry.

NEEDED BUSINESSES

Advanced consumer goods and services, electronics, construction of industrial centers for lease to small firms.

WHERE TO WRITE FOR DETAILS

Commercial Counselor, Embassy of Denmark, 3200 Whitehaven St., N.W., Washington, D.C.

FRANCE

(Areas with low economic development or unemployed industrial workers.)

LOANS, GRANTS, OTHER SPECIAL HELP

Grants of up to 20 per cent of investment. Loan guarantees. Subsidies to reimburse interest on loans for firms expecting low return in early years. Local governments often help.

TAX INCENTIVES

Fifty per cent accelerated amortization for research and development. Some deductions on capital gains taxes.

NEEDED BUSINESSES

See Belgium.

WHERE TO WRITE FOR DETAILS

French Commercial Counselor, 1001 Conn. Avenue, N.W., Washington, D.C.

GERMANY

(Areas near East German border, near western border, and low-income farm areas.)

LOANS, GRANTS, OTHER SPECIAL HELP

To build new plants, 3.5 per cent, 15-year loans; expand or modernize, five per cent, 15 years; tourist facilities, four per cent, 15 years; farm improvements, two per cent, 20 years.

TAX INCENTIVES

Accelerated tax depreciation on 30 per cent of fixed assets, 50 per cent of movable assets. In Berlin only, exemption from turnover tax. Income taxes 20 per cent lower. Up to 75 per cent depreciation in first year.

NEEDED BUSINESSES

See Belgium.

WHERE TO WRITE FOR DETAILS

Commercial Counselor, German Embassy, 1716 New Hampshire Ave., N.W., Washington, D.C.

GREAT BRITAIN

(Areas with at least four per cent unemployment, and other regions specified by the Board of Trade.)

LOANS, GRANTS, OTHER SPECIAL HELP

Ten- to 20-year loans of 50 per cent to 100 per cent for land purchase, construction or equipment. First installments may be deferred. Grants up to 85 per cent of difference between cost of plant construction and market value. Government-owned plants can be rented at subsidized rates. Industrial Estate Management Corp. may improve facilities, or construct plants.

TAX INCENTIVES

None.

NEEDED BUSINESSES

See Belgium.

WHERE TO WRITE FOR DETAILS

British Industrial Development Office, P.O. Box 206, New York, N.Y.

GREECE

LOANS, GRANTS, OTHER SPECIAL HELP

Government loans or guarantees available. Help with surveys and studies of new industrial opportunities.

TAX INCENTIVES

Some accelerated depreciation. Exemption on 50 per cent of profits (and up to 90 per cent in the islands). Exemption from 20 to 30 per cent of turnover tax. No customs duties on incoming machinery and tools for new plants.

NEEDED BUSINESSES

Chiefly basic industries: Clothing, shoes, food processing, metalworking, tools, mining. Also hotels and other tourist facilities.

WHERE TO WRITE FOR DETAILS

Economic Research Department (8-1), National Bank of Greece, Athens, Greece.

NORTHERN IRELAND

(Special attention to rural areas.)

LOANS, GRANTS, OTHER SPECIAL HELP

Government loans for new plants, with terms and repayment to be negotiated. Grants up to 33 per cent of factory cost. Government also builds plants and rents at low rate. Grants on cost of moving equipment from another location. Up to 50 per cent of cost of training labor for new plants. Some government-built plants of 2,000 to 73,000 sq. ft. are already built, await tenants.

TAX INCENTIVES

Local real estate taxes may be reduced by 75 per cent.

NEEDED BUSINESSES

Metalworking, electronics, textiles, artificial fibers, chemicals, plastics, food processing.

WHERE TO WRITE FOR DETAILS

Northern Ireland Development Office, British Consulate General, P.O. Box 206, New York, N.Y.

ISRAEL

LOANS, GRANTS, OTHER SPECIAL HELP

Long-term, low-interest loans on 35 per cent of fixed assets. Share of cost of training labor force.

TAX INCENTIVES

Accelerated depreciation. Ceiling of 28 per cent on corporate profits tax. No customs duties on incoming equipment or raw materials.

NEEDED BUSINESSES

Petrochemicals, food processing, plastics, furniture, machine tools, electronics, scientific instruments.

WHERE TO WRITE FOR DETAILS

Israel Investment Authority, 850 Third Avenue, New York, N.Y.

PUERTO RICO

(Entire island, with extra help outside the San Juan area.)

LOANS, GRANTS, OTHER SPECIAL HELP

Some plants ready, waiting for tenants at low rentals. Others will be built to specifications. Government help with industrial and market surveys.

TAX INCENTIVES

Up to 13-year exemption from income tax in many lines, plus a tapering-off period.

NEEDED BUSINESSES

Small tools, appliances, metalworking, shoes, hosiery, clothes, canning, chemicals, wallboard.

WHERE TO WRITE FOR DETAILS

Puerto Rico Development Admin., 666 Fifth Avenue, New York, N.Y.

IRISH REPUBLIC

LOANS, GRANTS, OTHER SPECIAL HELP

Nonrepayable cash grants can cover up to the full cost of factory buildings, and up to 50 per cent of machinery and equipment cost. Help to train new workers.

TAX INCENTIVES

Exemption from all national taxes on new export items during first 10 years, plus five-year tapering-off period. Big depreciation allowances. Reduction in local taxes.

NEEDED BUSINESSES

All lines for export to Britain, the Commonwealth countries (at preferential tariff rates), and to the continent of Europe.

WHERE TO WRITE FOR DETAILS

Irish Industrial Development Authority, 420 Lexington Avenue, New York, N.Y.

ITALY

(All of Italy south of Rome, plus Sicily and Sardinia.)

LOANS, GRANTS, OTHER SPECIAL HELP

Loans of up to 70 per cent of capital needed. Industries under 500 employes pay three per cent interest. Grants of up to 20 per cent of capital for new plants or expansion. Fifty per cent cut in freight rates on raw materials needed in new plants.

TAX INCENTIVES

Exemption from customs duties on machinery and materials. Ten-year income tax exemption. Local governments give reductions on regional taxes.

NEEDED BUSINESSES

See Belgium.

WHERE TO WRITE FOR DETAILS

Italian Commercial Office, 2401 15th Street, N.W., Washington, D.C.

TRINIDAD

TAX INCENTIVES

Five- to 10-year exemption, depending on the industry. No custom duties on imports of machinery and raw materials.

NEEDED BUSINESSES

Petrochemicals, apparel, canning, appliances, ship repair, tableware.

WHERE TO WRITE FOR DETAILS

Department DCI, Trinidad Industrial Development Corp., 730 5th Avenue, New York, N.Y. **END**

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UNDERPAID?

continued from page 39

company to think about jobs objectively in an orderly manner and arrive at a judgment as to what a particular job is worth in relation to others in the company.

A somewhat parallel development has occurred in performance appraisal. The performance of some executives is still evaluated by the seat-of-the-pants method; others are judged on subjective characteristics, such as initiative and judgment. But some companies are trying to apply more objective measures to executive performance.

The trend is to set up specific goals for each executive to achieve and then measure results against these goals.

The business organization, like the army, is a pyramid, with one level of management authority built on top of the other. At the broad base of the structure is the first-line supervisor, and at the top the chief executive.

In between, depending upon the size and complexity of the operation, is a series of management levels. Each salary is higher than at the level below.

This spread is intended to compensate those with the greatest responsibility. In addition—and perhaps even more important—the spread is intended to encourage executives to seek the higher pay levels. If the president receives the same salary, or little more than the vice president, who would want to be president?

The spread varies between the various levels. Some authorities believe the minimum spread at the bottom of the structure should be at least 25 per cent to provide equity and incentive, with a considerably greater spread—as much as 100 per cent—higher up the management ladder.

A survey of management salaries showed a spread of 25 per cent between the average salary paid foremen and general foremen, 26 per cent between general foreman and production superintendent, 53 per cent between factory manager and general factory manager, and an almost equal spread between vice president and president.

Now we can see better what is actually involved. If the first-line supervisor gets $8,000 a year, and there are nine levels of management above him, an average spread of 33 per cent between each level of management would, in itself, require that the chief executive be paid more than $100,000. If the average spread were greater, or if there were more management levels, then the pay of the chief executive would have to be even higher.

Measuring the competition

To apply the second yardstick, many companies have gradually expanded the means by which they can compare their executive pay scales with those in other companies. Some companies use published survey information. Others use such studies as those developed by the National Industrial Conference Board, in which top executive compensation, by industry, is related to volume of sales.

An executive is worth what his services will bring. To attract and hold a qualified executive a company has to provide a compensation package that is in reasonable relation to what other companies are willing to pay for comparable services.

But it is a fact that there are still many underpaid executives. There are a number of ways in which this comes about.

First, in some companies the salary of the top executive is too low. This may work no particular hardship on him but it does result in the salaries of all those below him being compressed within too narrow a span.

In one company the president gets $60,000, the executive vice president $40,000 and the vice president $34,000. Based on what other companies are paying, all three are underpaid. However, our concern is not with them; the problem is in the lower management levels, all of which must be squeezed in under the $34,000 ceiling. As a result, a host of young, ambitious managers and professional employes find severe limitations upon their earning opportunities. They are likely candidates to seek more rewarding employment.

A low salary for the chief executive can come about in a number of ways.

He may own a substantial interest in the business, with his salary representing only a portion of his earnings. More than one executive in this position has taken considerable pride in his modest salary, his frugality and democratic spirit. This feeling may have blinded him to the fact that he is putting his entire management team in an economic straitjacket.

In other companies, the chief ex-

(continued on page 75)

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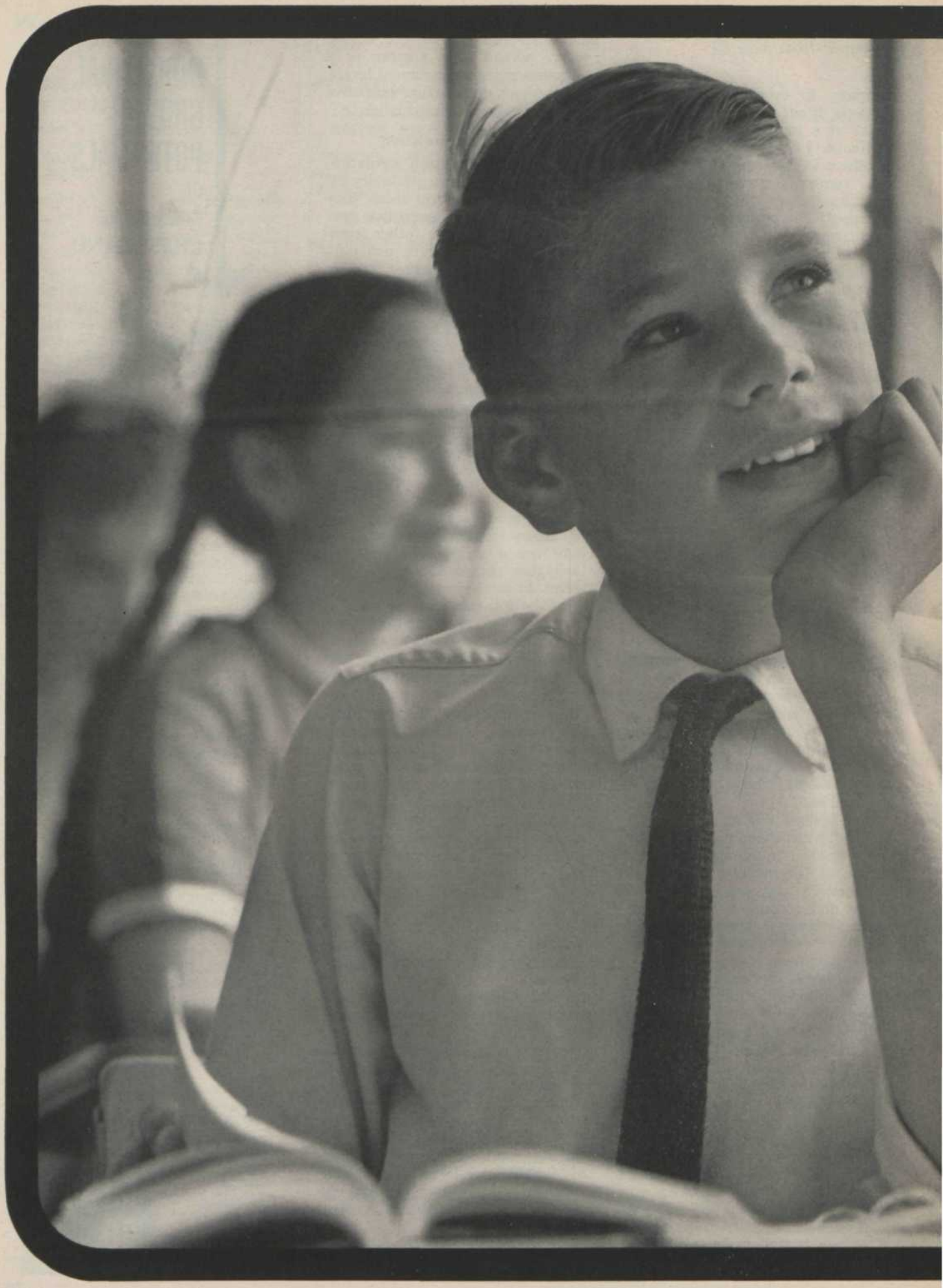
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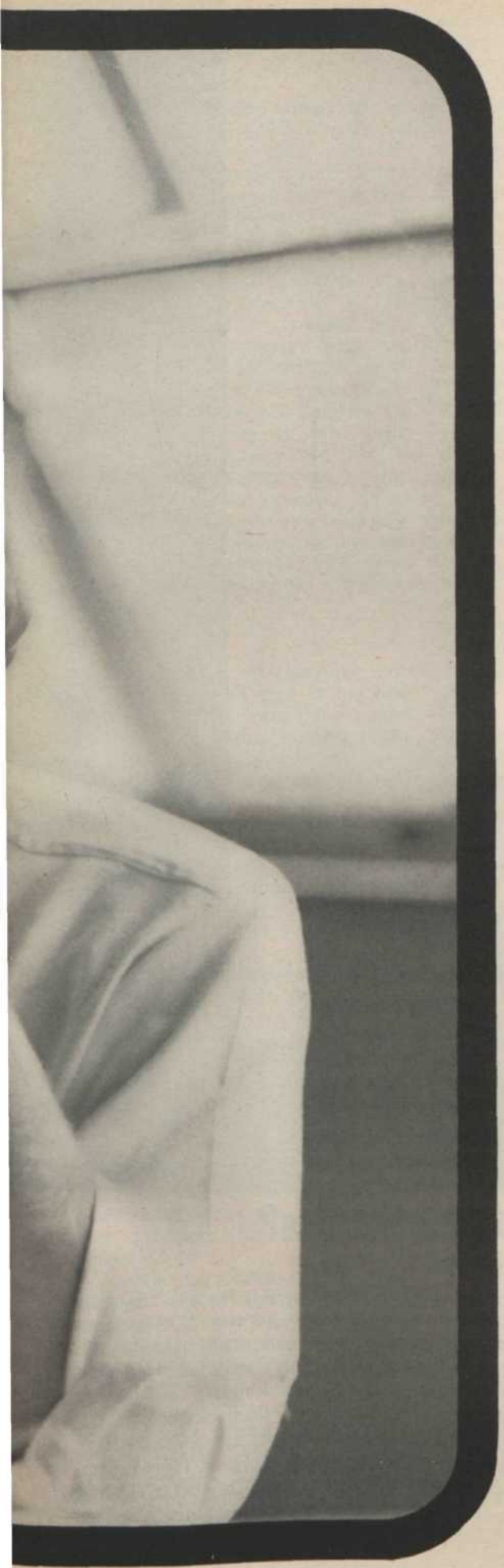
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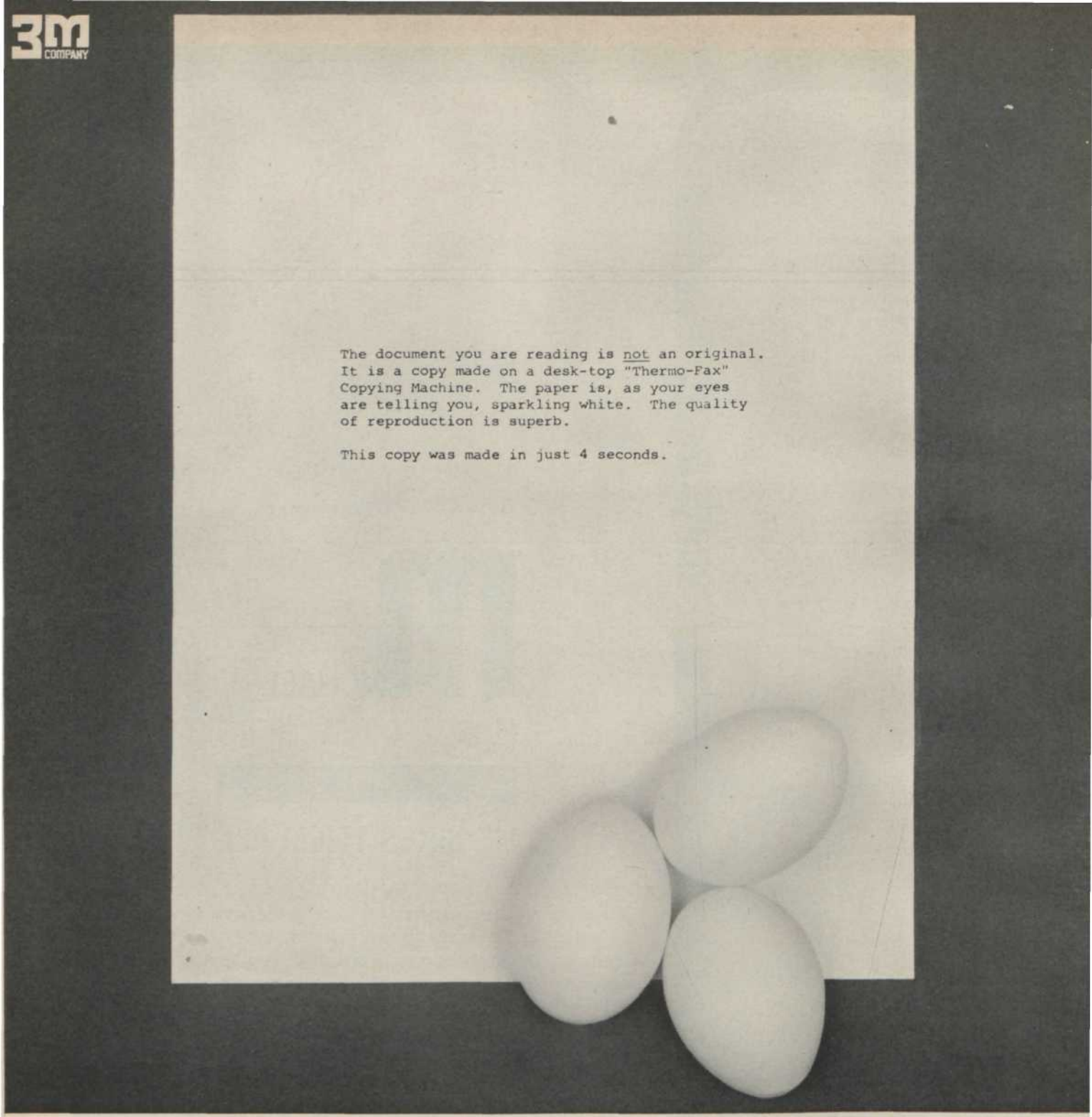
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UNDERPAID?

continued from page 71

ecutive and his top aides still remember when $15,000 was "a lot of money." They simply haven't adjusted to the modern scale. When they hear and read of high salaries, they conclude that some people in the business world must have gone crazy.

Perhaps the most common cause of low executive salaries is the rate at which many companies have grown. Some companies have had annual sales of $50 million mushroom into $200 million practically overnight. Unless top salaries are adjusted in keeping with this growth, the company can put its compensation structure in a vise. Growth invariably increases the responsibility of executives, it usually necessitates more levels of management, and the market price for a top executive is generally related to sales.

Want a raise?

Even when a top executive realizes that his own pay is too low, and that it compresses the earnings of those below him, he still has a problem.

Most top executives are reluctant to ask the board of directors for a raise, even based on the need to pay more to those who are below them.

If there is an outside director on the board who is familiar with what other companies are paying, the president can perhaps turn to him for help.

Some companies use a consultant to make the case to the board of directors.

Another cause of low management salaries is too much spread near the top. If the president gets $100,000, the executive vice president $80,000 and the vice president $24,000 the two men on top may be paid at the prevailing level, while the vice president is too low. The management levels below the vice president are caught in a squeeze.

Reasons for a wide spread at the top are varied and in some instances, of course, are justified. But when this occurs, the management salary structure warrants close scrutiny.

In this particular case, the president and executive vice president are convinced that they make all the important decisions and that the gap in salaries is in direct relation to the gap in responsibilities.

A similar condition sometimes arises because of an executive's background. He may have come up through sales, and have strong feelings about the worth of a sales exexecutive.

If he is a factory man, he may feel that all other company activities are substantially less important.

Sometimes a series of management salaries is held in check because a mediocre executive is frozen near the top. His salary is not boosted because he isn't worth more. Often the only reason he holds onto his job is the strength of his subordinates.

The result is an incongruity; his subordinates should be paid more, yet that would put them on about the same level as their superior's salary.

In this situation, the company has these four choices: fire the executive who is holding down the others; raise his salary, even though he isn't worth it; raise the salaries of the subordinates even though it will put them near or above their boss; or ignore the mess.

A large gap near the top can also occur when the company has a bonus plan, which includes only those near the top.

Unless the total impact of this arrangement is scrutinized closely it can cause a severe distortion in the salary structure.

The top executives may well be earning the prevailing compensation when their bonuses are added to their base salaries. But what about those in management below the bonus level? Are their salaries related to the base salaries of those above them, or to their total earnings?

To guard against inequities such as these, many companies find it wise to make a major executive responsible for application of the two yardsticks—one inside, the other outside—to maintain equity. He must have an intimate knowledge, not only of his own company and its people, but also of the varied and complex pieces which go together to form executive pay, such as bonuses, stock options, thrift plans and deferred compensation. He must also be driven by a desire to do right, whatever human prejudices and frailties he may encounter. **END**

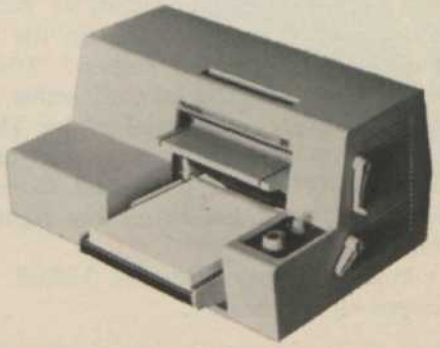
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CAMPAIGN WINDUP: WHAT YOU CAN DO

Political and business leaders point out that your efforts in the final weeks before election can decide its outcome

IT'S NOT TOO LATE for you to participate in this fall's political campaigns. With only a few weeks left, you can still influence the decision in your precinct and congressional district.

A. F. Jacobson, president of Northwestern Bell Telephone Company, sums up the advice of many business and political leaders: "It's never too late for an individual to take an active interest in community, state and national affairs. The closing weeks of a political campaign may well offer the greatest opportunity for an individual to be most effective in carrying out his citizenship rights and responsibilities."

Politicians say the real kickoff in a campaign comes on Labor Day.

ROBERT PHILLIPS



President Kennedy's Special Assistant, Larry O'Brien, stresses value of each vote; points out that Richard Nixon could have won in '60 with one more Republican vote in each precinct. He says latecomers can help by telephoning, distributing campaign literature and getting voters to the polls

There are four principal things you still can do that will have an influence on the election's outcome:

- Contribute and solicit money for the candidate of your choice.
- Call party headquarters and volunteer to help in your spare time.
- Talk about the candidate. Keep asking others to vote for him.
- Help get out the vote on November 6. For example, telephone relatives, friends and neighbors; lend an auto to your precinct leader.

Lawrence F. O'Brien, Special Assistant to President Kennedy and former director of organization of the Kennedy-Johnson campaign, stresses the importance of each vote. In the 1960 election, he says, one more Republican vote in each precinct would have elected former Vice President Nixon.

"Even though a well organized campaign will have volunteers lined up for most tasks well in advance of the last six weeks, in more than three decades of politics I've never seen a race where additional help wasn't needed in the home stretch. Specifically, latecomers are of great value in distributing campaign literature, participating in telephone campaigns, and helping with the vital task of getting the voters to the polls," Mr. O'Brien comments.

"There'll be lots of close races this fall," says Rep. Ed Edmondson, Democrat of Oklahoma, a member of the House Democratic Congressional Committee, "including mine."

"The individual can do a great deal in the last few weeks if he gets determined. His personal influence is important," says John M. Bailey, chairman of the Democratic National Committee. "If every private citizen can each affect five, six or seven others, it will be of great importance."



Thomas R. Reid, manager of civic, governmental affairs for Ford, warns businessmen to go to work early in campaigns. To delay, he says, is to risk having others make the really important decisions. He advises executives to start planning now for their role in the 1964 presidential elections

"If the individual can raise a little money it will appreciably help a local candidate's campaign. Two hundred dollars isn't much of a factor in electing a president, but $200 to a candidate running for an assembly can make the difference between winning and losing A winning candidate can have a lot of say whether certain legislation passes or not.

"As a practicing politician, I consider it essential having people register."

Deadlines for registration range between September 7 and November 3 in most states. Half the states have October deadlines.

Rep. William E. Miller, chairman of the Republican National Committee, comments: "Political decisions vitally affect businesses and careers. Citizens who take no part in politics actually are foregoing their right to have a voice in the men and policies who so deeply influence personal destinies.

"It's never too late to participate in a campaign. Never too late to exert some physical energy right through election day. An individual can contribute a lot from now on.

"Ninety-nine per cent of elections are won or lost in the last six days or so, sometimes in the last six hours. It depends on the momentum, the impetus of the campaign. A late financial contribution can mean one more advertisement, one more television spot, or hiring three or four more people to work.

"September is still early as far as an individual's effectiveness is concerned. For example, a telephone call to a voter six weeks before the election isn't much good, but it's effective the day before."

Studies by Columbia University also make the point that the individual has crucial impact in a campaign.

The conclusion of Dr. Paul F. Lazarsfeld's pioneer study of campaign behavior is that "more than anything else people can move other people," and "the side which has the more enthusiastic supporters and which can mobilize grass-root support in an expert way has great chances of success."

He points out that heavy campaigning by both parties at the end of the campaign is a good investment for both sides.

"The people who make up their minds last are those who think the election will affect them least. It may be, then, that explicit attempts by the candidates and their managers to prove to them that the election will make a difference to them would be more effective than any amount of continued argumentation of the issues as such.

"One hypothesis is that the person or the party that convinces the hesitant voter of the importance of the election to him personally—in terms of what he concretely wants—can have his vote."

Examination of seven major election studies provides these findings:

1. About one sixth of the voters are converted during



Great business interest in November's elections is forecast by Charles H. Percy, chief executive officer of Bell & Howell. He urges businesmen to volunteer their help to party headquarters, believes such efforts will build better relations between the business community and men holding public office

GRIFFITH—BLACK STAR



Northwestern Bell's A.F. Jacobson sums up advice of many business, political leaders: "It's never too late for an individual to take an active interest in community, state and national affairs. The closing weeks may well offer the greatest opportunity for an individual to be most effective"

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CAMPAIGN WINDUP

continued

a campaign. This small margin may determine the outcome in a close election.

2. Voters who decide late in the campaign are more influenced by personal contact than early deciders.

3. Private conversation is used more than the communications media as a source of political information by those undecided in vote intention.

4. Voters are more likely to agree with someone of higher occupational status than themselves.

5. The weaker the voter's partisanship, the later his final decision. The less interested he is in the election, the more likely he is to change his vote preference during the campaign.

A businessman serving as a consultant to one of the major parties in the campaign offers this advice:

"While it's getting pretty late, I think the individual can still make enough contribution to make a difference between winning and losing in many cases.

"The greatest contribution the businessman as an individual can make is talking. One really important thing he has is extensive friendships and contacts.

"What can he do in addition to talking? He can do research for a candidate, speech writing, see that the candidate gets to meetings he'd otherwise not get to, make speeches in his behalf. Also, the candidate undoubtedly needs some money.

Role of executive

"I think it would be a tragic mistake for a corporation president to ring doorbells in a neighborhood. His job is to motivate people under him.

"He ought to see that five or 10 vice presidents understand the picture. They ought to see that five or 10 people under them understand it, and so on down the line in the corporation.

"Let's say there are 200 plants employing about 100 people each in a congressional district. People in 50 of the plants are already active in the campaign.

"Suppose that 10 more can be activated late in the campaign. In each of these plants there's probably an average of 20 in management. So there's a potentiality of activating 200.

"Let's say that only a fourth can be activated. That means 50 people. If they can turn out their wives that's 50 more for a good candidate.

"This can rapidly multiply if they can activate two or three other families.

"It can snowball into 2,000 to 3,000 votes in a congressional district. It could mean some good candidate winning by 50 votes."

Most business leaders agree with political scientists and politicians that if you've worked two years toward this election, or even one year, you've met your citizenship responsibilities in large measure.

If not, with only a few weeks left you can still meet them in considerable measure and as a corollary have a decisive effect on many contests.

Charles H. Percy, chairman and chief executive officer of Bell & Howell Company, anticipates there will be more interest in the November elections on the part of businessmen than in any other nonpresidential year election.

Mr. Percy, who served as chairman of the Platform and Resolutions Committee at the 1960 Republican National Convention, says that a friend once asked him, "What business have you engaging in politics?" He replied "So I will still have the right to engage in business."

He urges four principal activities for a late participant:

1. Solicit funds without strings. Broad-base giving helps a candi-



Boeing's Lynn Whiteside says "each party has a lot of work waiting for those willing to demonstrate their faith in the two-party system." He advises businessmen to give financial help to a party of their choice and then volunteer for work assignments. The alternative, he says, is hack-run government



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CAMPAIGN WINDUP

continued

date remain free from dependence upon pressure groups.

2. Call your political party headquarters, indicate you want to devote some spare time to politics.

3. Get to know politicians and let them get to know you. A politician's and a businessman's opinion of one another does not deserve to be as low as it often is. There are far more dedicated, conscientious people in politics than businessmen realize. Participation by businessmen in practical politics should help develop greater mutual respect.

4. Participate as a citizen, not as a businessman. The businessman who engages in politics to see what he can get out of it, rather than find how much he can put into it, does a disservice to the business community.

Ask for assignment

John Burkhart, president of The College Life Insurance Company of America, says the businessman who has avoided or evaded political activity so far this year can make a dozen contributions during the time remaining before election day that can be highly productive and correspondingly rewarding.

Among his suggestions are: Arrange for the appearance of candidates on programs of organizations to which you belong; assist headquarters in finding competent volunteer personnel for specialized assignments; have a luncheon or dinner for the candidate; speak or serve as a panelist at meetings; attend meetings and rallies because this shows to others that you attach importance to the electioneering process and will influence others to become more active; help get out the vote on election day, but if you're not free to do so, put a car at the disposal of the precinct leader.

Lynn W. Whiteside, director of management development of The Boeing Company, recommends that you first make out a check to your party's headquarters or central committee in the county where you live. Then pick up the phone, dial headquarters and volunteer for work assignment.

"Each party," he says, "has a lot of work waiting for those willing to demonstrate their faith in the two-party system. If it is not done by interested people, it will be done by political hacks whose self-interest makes government the costly burden it has become."

While you're welcome and needed by your party, there are some ground rules worth consideration by those getting into politics for the first time. These ground rules are endorsed by pros of both parties and are succinctly expressed by James A. Farley, chairman of the board of Coca-Cola Export Corporation, who managed two of Franklin D. Roosevelt's presidential campaigns:

"To become truly effective as a participant in government at any level, the businessman must first learn the rules of the art of politics. The best way he can learn these precepts is to act on the first, most basic rule—start at the bottom.

"When the business or professional man decides to enter the political arena, his first mistake is often to assume that he can start at the top. This is natural. But such an attitude is poor preparation for entering a world of hard reality. You get into politics by affiliating with an organization and working with it at ground level until you learn your new trade."

Sen. Vance Hartke of Indiana, chairman of the Democratic Senatorial Campaign Committee, offers this view:

"Election campaigning takes in a wide span of human energy—leg power, arm power, and brain power. It seems to me that the businessman, by the very nature of his



Want some ideas on things you can still do? John Burkhart, president of The College Life Insurance Company of America, offers these: arrange for appearance of candidates on programs of groups to which you belong; hold luncheons for candidates; attend meetings and political rallies; plan to help out election day

occupation, is best equipped to contribute brain power.

"The businessman can make a real contribution to our election process by applying his brain power and disseminating ideas."

Sen. Roman Hruska of Nebraska, a member of the Republican Senatorial Campaign Committee, advises:

"The individual can do a lot in the last weeks. He can start off right now making a financial contribution to the party of his choice and making himself available for work."

"September is early enough," says Rep. Sylvio O. Conte, Republican of Massachusetts, "for the informed citizen to aid a candidate by telling him of any misconceptions about him that might exist in the minds of friends and acquaintances.

"You can help a candidate by having a small informal gathering in your home. Invite the candidate, ask him questions. No big show is necessary.

"If you're unable for some reason to participate in the campaign, at least get your wife to help. Coffee hours with candidates have a big effect in the neighborhood."

Ladd Plumley, president of the Chamber of Commerce of the United States, describes the forthcoming congressional elections as critically important.

"Your support of worthy candidates and the support of your management people—as individuals, not in their corporate capacities—can mean the difference between sound government and irresponsible government in the years ahead," he says.

Businessmen win respect

Some businessmen are afraid that somehow their participation will cause an unfavorable reaction toward them or their company by employes, customers or stockholders, says T. J. Diviney, director of civic affairs of Monsanto Chemical Company.

Their notion is disputed by Richard E. Spelts, Jr., director and general manager of a Nebraska lumber yard chain.

He points out that he has been active in partisan politics for eight years and, in that time, his business has enjoyed a net increase. He says he knows of no one making the statement that they would not trade with the firm because of his political activities. On the contrary, he maintains that the rank and file of people respect a person who will, with dignity, become involved in partisan politics.

"Any businessman," he says, "who does not involve himself in the party of his choice is eliminating one of the main factors in his responsibility to the business climate of this country. If a businessman gives the excuse that participation will be harmful to his business or civic career, he simply does not know what he is talking about or he simply does not know how to conduct himself in these partisan activities."

Are businessmen welcome in politics? The candidates say yes. Surveys support their welcome.

One poll measured voter reaction to three hypothetical candidates. Exactly half those polled preferred the businessman-industrialist image.

The remainder was evenly divided between a lawyer-athlete and an intellectual.

There was little difference in party affiliations of the people polled. Among Democrats, 44 per cent preferred the businessman image; among Republicans, 52 per cent.

A few business leaders maintain that, if you become involved now, your effectiveness in November 6 elections will be minor. But it could be major in the 1964 election.

Thomas R. Reid, civic and governmental affairs manager of the Ford Motor Company, takes this long-range view:

"If the businessman hasn't done anything to influence the course of the election earlier than September for a November ballot, most of the decisions have already been made for him by others and he has forfeited by default his effective citizenship.

"There are a few surface scratching things he can do in the last weeks, but they are minor in importance and hardly likely to be significantly effective.

"The principal thing he can do is to admit that he is too late for this year's election in his sudden resolution to be an effective citizen and start immediately on long-range planning to become effective two years hence in the presidential election of 1964.

"If he makes the decision now to do something about it, he can be amazingly effective as a businessman citizen. If several hundred thousand of his fellow businessmen join him in planning ahead in this fashion and then executing programs, the course of history could well be changed." END





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If you are now a member of a voluntary business group, try a little of this friendly persuasion. You know who the best prospects are among your associates, suppliers, customers. Tell them a little about the program and invite them to join.

If you're not a member of the association in your field, you're missing the tremendous benefit of profitable idea sharing. Don't miss it any longer. Consider yourself asked.



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HEALTH CARE FACTS

continued from page 33

payments for needy persons over 18 who had severe disablements or handicaps. Payments are made on a matching basis, similar to the Kerr-Mills program. By mid-1951, about 18 months after the program began, some 27 states had it in operation. The same number of states and territories had adopted the Kerr-Mills MAA program after the first 18 months.

By 1961, 47 states and three territories had adopted the aid to the permanently and totally disabled program. In the program's first decade of operation, the number of persons aided had increased four-

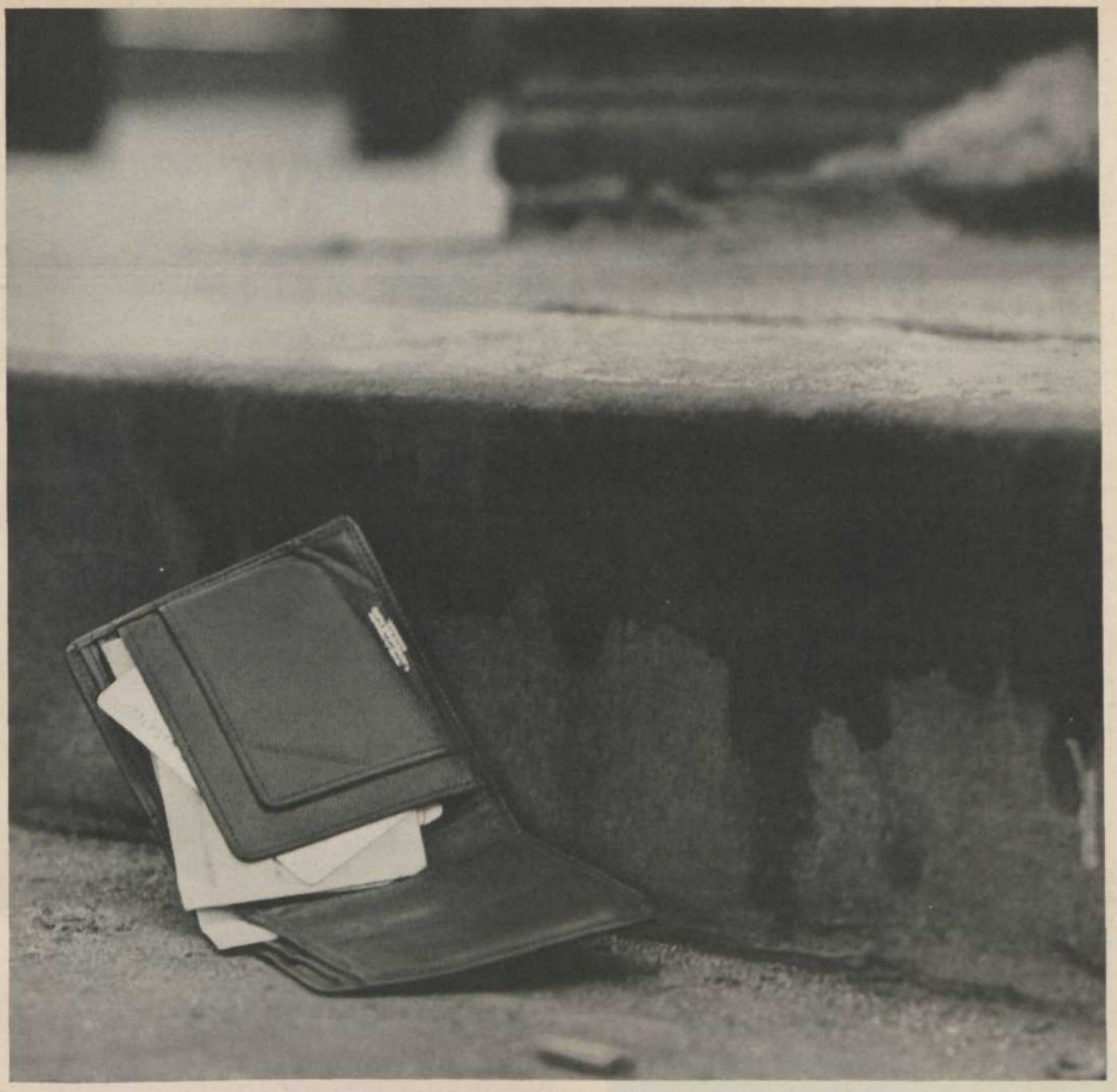
Your business will be affected by big shifts in defense buying over the next decade. See authoritative forecast starting on **page 29**

fold. The Kerr-Mills MAA program, however, can be judged a success even if all the states don't adopt it. Several states have extensive programs of medical care for needy aged similar to help given by Kerr-Mills. For example, Colorado has not adopted MAA because the state has had an elaborate program of medical care for the aged for the past four years. Some $10 million a year is being spent for health costs of needy elderly there.

In Texas, a medical program was started at the beginning of 1962 which provides hospital and surgical-medical services through a contract between the state and Blue Cross-Blue Shield. Direct payments from the state are made for nursing home care. It has been called a model program for elderly on relief.

Three other states not among the 31 that have approved MAA have expanded their relief programs so as to include residents not now on relief rolls, but whose financial situ-

(continued on page 90)



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THE FACE YOU SAVE MAY BE YOUR OWN

Here are ways you can help the man who makes a mistake regain self-confidence

AS A SESSION on human relations at a management seminar ended, a businessman lingered to talk privately with the lecturer.

"In our company," he said, "we have never been able to solve the problem of how to prevent an employe who makes a serious mistake from becoming demoralized. Can you suggest any remedies?"

The questioner had put his finger on one of the most sensitive areas an executive encounters in managing people.

Mistakes happen; even the best men make them. The important question is how to minimize the loss of face which almost invariably follows a major boner.

Psychiatrist William C. Menninger points out that one man will suffer momentary embarrassment, be sufficiently tough-minded to make a comeback, and quickly recover the poise necessary to carry on business as usual.

Another man will brood, show emotional distress and lose efficiency.

To the alert company, employe mistakes are a challenge to rebuild an individual's self-confidence and motivation for doing even better work. But before the repair job can be done, these points must be considered:

- What loss of face is, what causes it, and the impact it can have.
- The difference between saving face and restoring face.
- How best to deal with loss of face.

While work brings a man economic security and pride in the use of his abilities, it can also bring stress and anxiety. A man competes with himself, with others, with self-imposed values, with boss-imposed demands and company goals. It is understandable that he will run into occasional situations where he will not quite measure up.

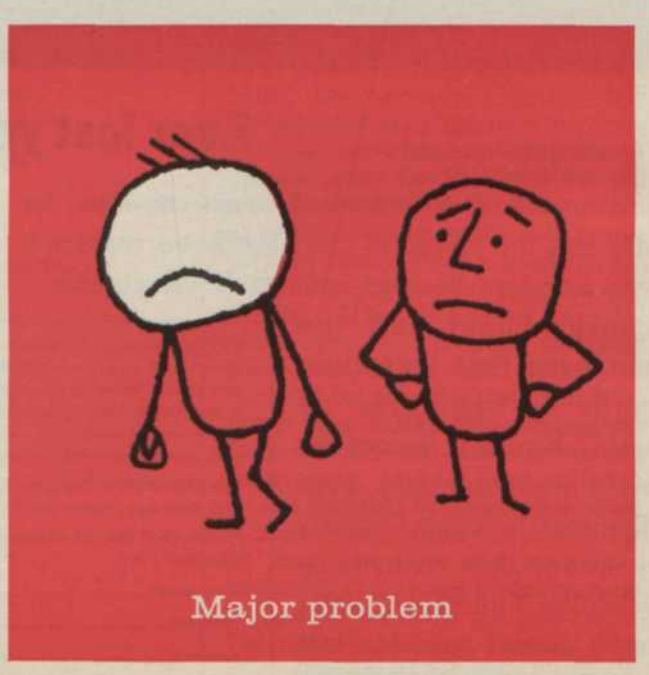
The vice president of a photographic equipment company has encountered the problem often among his technical specialists. To diminish any loss of face he quickly reassures the man: "Don't let it throw you. Management makes mistakes of its own. Learn from your mistake, and let's get on with the job."

Management's objective should be to enable a man to bring out the best in himself so that he can contribute to his own progress and that of the company. But emotionally charged situations in which face is lost tend to bring out the worst in people.

Some cases:

While his boss was on vacation a manager made several unwise commitments to customers. When the boss returned he was irked to find that this poor exercise of judgment had put him in an untenable position. He severely criticized the manager. The manager subsequently asked the personnel department for a transfer to another territory. Efforts to talk him out of it failed.

An engineering analyst, pressed to explain a record of chronic absenteeism, admitted he had lost face in the eyes of his colleagues because of his clumsy handling of a trouble-shooting mission. He sensed a freeze each time he met his co-workers in the hallway



Major problem



Saving face

or company cafeteria. It took good counseling and statesmanship to bring him back into the fold.

In an office a rash of errors was traced to an experienced senior secretary. This developed after her boss told her she was not putting in a fair day's work while less experienced girls were turning in a creditable job. Loss of face for her, particularly in the eyes of the less experienced secretaries who overheard the incident, produced frustration, inability to concentrate on her duties, and errors.

What is loss of face?

Loss of face is deflation of one's ego when one fails to perform as expected. The severity of loss of face depends not only on an individual's temperament, but also on the context in which the incident causing it occurs, the state of one's ego, the sense of security one feels with the boss and with a majority of one's co-workers, and other factors.

A well-known husband and wife team—he a leading psychiatrist and she a successful psychotherapist—contends that how you take loss of face hinges mainly on the state of your ego. The individual with a relatively weak ego will withdraw, exaggerate his hurt, blame others, become overaggressive, or react in some other negative fashion. In some cases a man with a weak ego will go to pieces.

Strength of ego is made up of many forces: one's background and set of values, religious training, prior successes and failures, resourcefulness, the extent to which one feels fellowship with one's associates, and hereditary influences.

Mental health authorities say that loss of face may require extrême care in handling. Avoid the tendency to classify people too easily into those who are thick-skinned, able to roll with the punches, and able to take a setback, and those who are thin-skinned, and unable to stand a reversal. All persons are hurt by loss of face. Some express it more than others.

Saving and restoring face

Saving face is generally a matter of tactics, impromptu or planned, for salvaging all or part of the self-esteem of the person affected. Face-saving devices are crutches to lean on to prop up the man so others will regard him as they did in the past.

The boss can take various steps: He can pass off the incident as insignificant, use flattery, pep-talk the group into more teamwork, or make some other gesture to lessen the embarrassment.

He may put the man on a high-sounding special assignment designed more to restore a sense of self-esteem than to achieve a specific company goal. He may put on a convincing show of backing up the man. If expedient, he may send him away on an official trip until the heat is off.

If the man enjoys the respect and support of his co-workers, they can prop him up. Among such measures: putting a ban on further talk about the incident, inviting him to social functions, giving him a hand on the job, pulling out of storage and endorsing for early action a proposal he originated earlier.

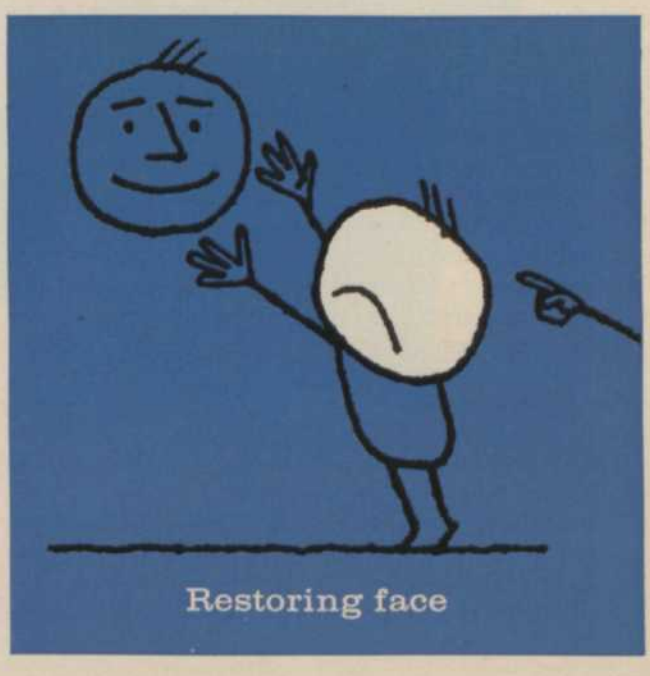
These may work in some situations but not in others. In any event, they should be recognized for what they are—bailing-out devices.

Restoring face is another matter. This is not a tactic, but a process of reconstruction to bring about healthy psychological balance. The process involves more action on the part of the man himself and less from his supporters. It means facing the facts of competitive life, holding to professional standards, taking criticism constructively, and cutting a path which will lead back to self-respect and continuing achievement.

What can be done

A company should induct new people effectively, allowing for the adjustment of inexperienced personnel, selecting only the most qualified as supervisors or managers, fostering communications systems in which men have the full resources with which to do their best work, and coaching people in the nature of risk in decision-making and in ways to make better, less risky decisions. Such measures can do much to cut down instances of loss of face.

Important, too, is the company's attitude toward



Restoring face

mistakes. While the company will obviously insist upon keeping errors to a minimum, it can also make known that it recognizes that employes now and then learn an important lesson from a mistake, a misjudgment, or a poor decision. The company can create a good climate by showing it has some kind of tolerance point for mistakes and doesn't want its people, otherwise able and competent, to feel that a catastrophe has occurred when an individual makes an error. But, it also expects them to profit from mistakes, for their own growth and for the good of the company.

The individual himself has the vital role. He has to learn to take criticism constructively and not let his emotions run amok. Self-control, the kind which will restrain him from compounding the error of making statements he will later regret, is an important asset. The best kind of emotional first aid is for the individual to avoid worrying the incident out of proportion. Candid discussion with the boss, to assure that a sound basis of mutual approval still exists, is vital. Talking it over candidly with one or more colleagues in the work group also helps.

The individual should make his own objective assessment of the situation as best he can, learn from the experience, hold on to his friendships, set a target for improvement, and avoid a showdown just for the alleged preservation of his ego.

Above all, he should be realistic about his aspirations and their probable attainment, recognize that he cannot break all records, and find constructive outlets for his abilities and energies as well as for his injured ego.

As one psychologist in a leading chemical company advises, "Relax, size up the situation, take your time, see what can be done from this point on."

Some pointers for the boss

The boss can help the man in this effort at restoring face. There are, first, several don'ts which he should observe:

Don't harp on the mistake.

Don't let the incident become a conversation piece around the office.

Don't let your discussion with the man deteriorate into an argument.

Don't magnify the error out of proportion.

Don't overlook the man's capacity to learn from the mistake.

Where the error stems from inexperience, the boss can give the man more frequent opportunities to gain experience and yet limit the nature of the risks. He can delegate in moderation, and for a while deliberately assign jobs which he knows the man can do well beyond his regular workload. He can bolster the man's morale when things go well.

Coaching a man so that his mastery of technical details is assured, his judgment sharpened, his handling of problem-solving situations made more analytical—this, too, will help in the boss-subordinate relationship. Obviously, good informal counseling



will also contribute to restoring face. The boss can do much by concentrating on the issue and by subordinating as much as possible any discussion of personality factors. "Keep the ego out of the operations," advises one director of engineering.

One of the most effective things a boss can do is to keep his men productively busy so that they cannot find time to brood over their own errors or talk about the boners of others.

As for the men in the work group—his associates—they can help the man who makes a mistake by reassuring him of their continued confidence in his competence. This may be spoken or unspoken, but most assuredly the man will know it if this continued vote of approval is in the air.

The group can develop an atmosphere of understanding and respect in which the code of conduct is such as to be able to cope with both successes and failures and not to go to extremes with either. The group, too, if it desires to support the man, can effectively serve as its own counseling agent and help the man set his path for a realistic recovery.

In extreme cases where face-saving is obviously futile and face-restoring very difficult, the company medical officer can either help directly or advise as to the best referral for professional assistance.

But keep this point in mind: We are not dealing with a failure, a consistently poor employe or a misfit. We are dealing with an individual who, otherwise productive and cooperative, has somehow bungled a particular job or made a poor judgment on one occasion.

Be prepared to deal with the problem. As Edward Hodnett of Dow Corning Corporation states in his guidelines for dealing with people in such cases, "the face you save may be your own."

—NATHANIEL STEWART

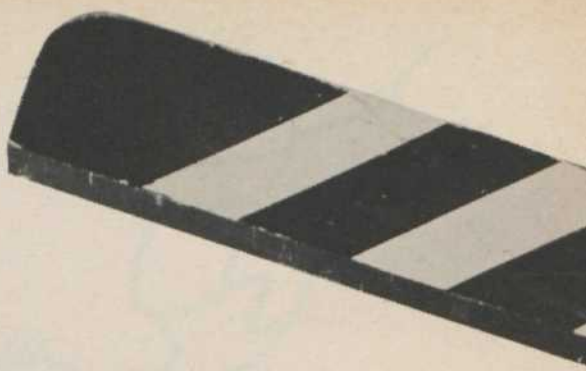
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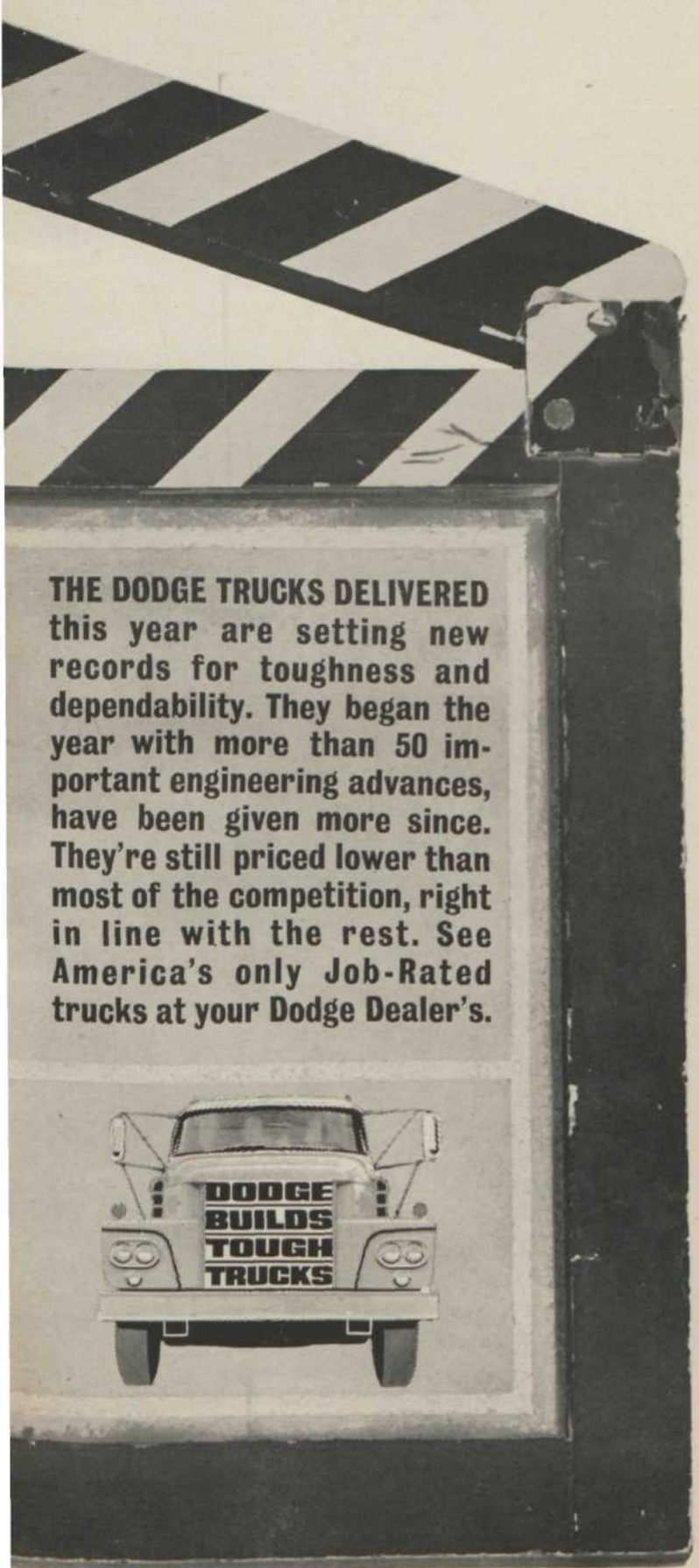




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HEALTH CARE FACTS

continued from page 82

ations are such that they need public help.

So the insistence that the success of MAA will be proven only when it is adopted in all states is unrealistic.

Another major criticism of Kerr-Mills is that there is a test as to financial need of recipients. This is held to be undignified and at odds with the American way. The argument is made that the Administration's proposal to give health care to the aged under the social security system assures beneficiaries of this help without the indignities of a "means test."

Proponents of the social security approach overlook the fact that a form of "means test" is applied to persons drawing social security checks in their retirement.

Even though a retiree may have paid his social security taxes for 30 years, he starts losing benefits if his earned income is over $1,200 a year. And his social security retirement checks stop altogether if he earns as much as $3,000 a year and is under 72 years of age. Those who favor giving medical care to all the 12 million aged eligible to receive social security benefits overlook the fact that many of these persons are well-fixed enough to pay their own hospital bills. The social security taxes on unskilled factory workers, domestics or other low-pay people, as well as their employers, would be used to pay health costs for some who don't need government subsidies.

Another major charge against the Kerr-Mills MAA program is that the program is inequitable and has limitations in different states.

The fact that the programs differ in the different states is seen by some as an advantage, not a disadvantage. For example, the program in Hawaii provides for air transportation to obtain necessary care which is available only in another county. Many states wouldn't need to fly patients great distances to get medical care. But patients in the island state of Hawaii might often need just such service.

In New Hampshire, eye care is excluded from the scope of MAA because it is available through the Sight Conservation Division of the State Department of Public Welfare.

In North Dakota, the aged can get help under MAA depending on their income and assets. In this sparsely populated state a homestead of two acres in town is exempt and a rural homestead of 160 acres is exempt in figuring whether the applicant for aid has assets limited enough to qualify for aid.

Kerr-Mills plans in some states require needy persons to make cash contributions toward the cost of care. This is looked upon with grave concern by some proponents of the social security approach. However, the social security proposal would also require any beneficiary of health care to pay $10 a day for the first nine days toward the cost of hospital treatment.

It is also pointed out that some states do not provide dental care, some don't pay for drugs prescribed by the patient's doctor, a few do not pay for visits in a doctor's office or for house calls. The social security legislation proposed by the Administration would pay for none of these. **END**



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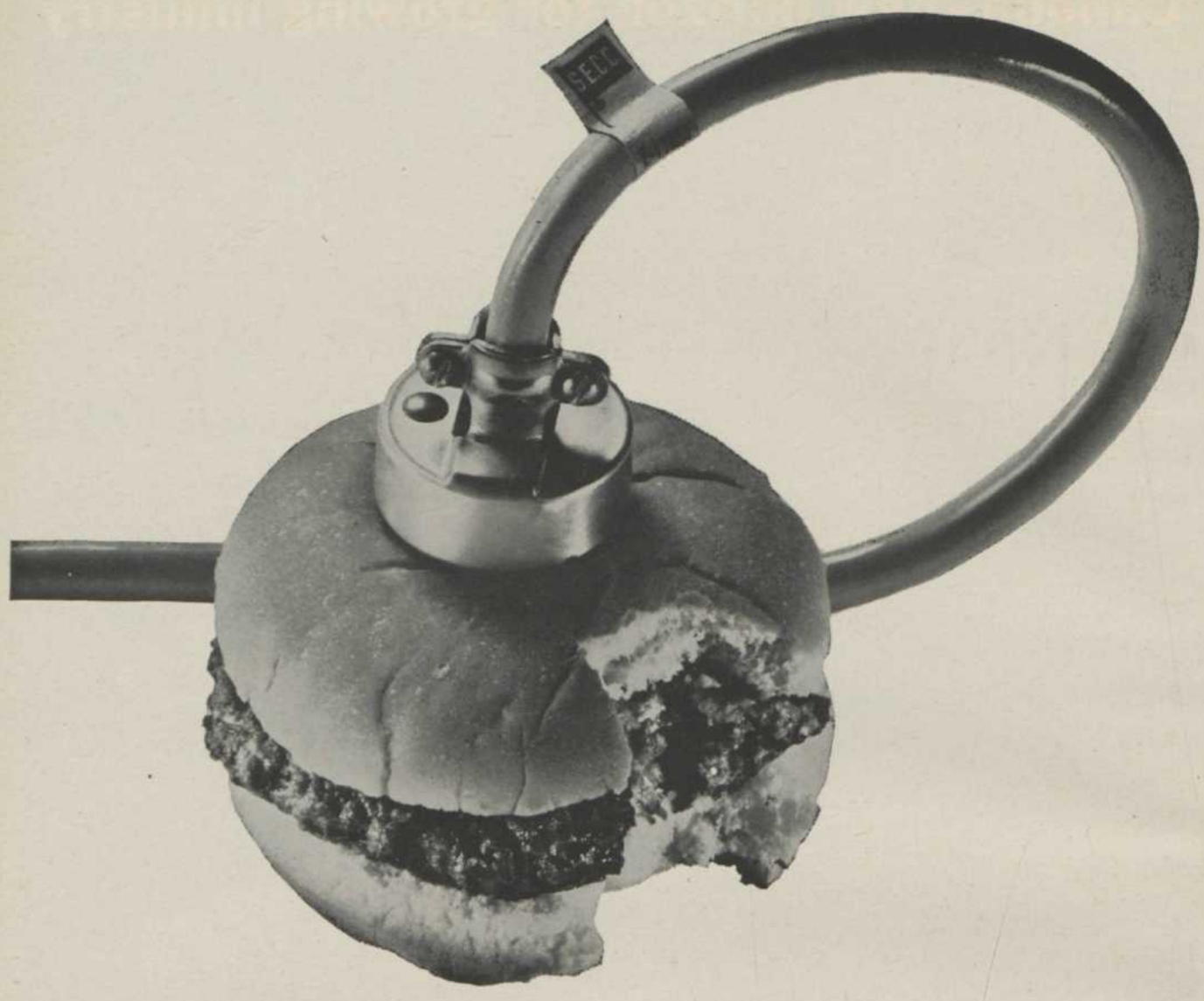
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SPECIAL LETTER

NATION'S BUSINESS EDITORS REPORT ON: Probes by the dozen

Congress isn't quitting. The lawmakers are just going home.

Capitol Hill work goes on in congressional committees. Dozens of studies and investigations are scheduled for fall and winter. They'll lay groundwork for future laws that can affect the way you do business or how your taxes are spent.

Probes will range from government stockpiles to steel prices to state taxation to racketeering to migratory workers.

One committee staffer says: "With Congress out we can really get some work done."

* * *

Not all congressional studies bring new laws. But many do. Remember McClellan Senate Rackets Committee hearings. Then-Senator Jack Kennedy sat in as committee member and brother Robert was counsel. This probe led to Landrum-Griffin labor law aimed at protecting union members from corrupt labor leaders.

Senator McClellan's Government Operations Committee now has Permanent Investigating Subcommittee. It's digging into government operations and racketeering. May have hearings in late autumn.

* * *

Best-known congressional investigator, Sen. Estes Kefauver, is cranking up for new studies of prices in steel industry. Other possible targets: Antitrust problems in Europe's Common Market and A. T. & T.'s Telstar.

* * *

Some investigations won't be announced until last minute.

"Once somebody knows they will be investigated, it becomes hard to get information; records begin to disappear."

Not all probes require gumshoe work or secrecy, of course. Much is technical, complex, abstract. Some sweat and tears. Little blood and thunder. But all can be

important. Senate Subcommittee on Intergovernmental Relations, for example, will study who does what on state, local or federal level. May sound dull. But your taxes and control of your town's affairs can be affected.

House Veterans Affairs Committee makes regular between-sessions checkup on VA hospital renovation program. Limited interest? It's a $100 million construction program, and you're paying for it.

* * *

Senate Armed Services Subcommittee on Stockpiling resumes hearings in November. Sen. Stuart Symington's sleuths are checking contract procedures. Aim will be to write new law for disposing of excess stockpiled materials. May also help answer question: What should our space-age stockpile be?

* * *

Some studies this fall and winter will lead to future hearings.

Sen. Henry Jackson's Subcommittee on National Security Staffing will base hearings next year on a report now in the making on problems of overstaffing of security agencies and lack of career-planning for officials.

Senate Special Committee on Aging will make studies of nursing homes and housing for elderly, may spark hearings.

Joint Economic Committee has 11 studies under way. Key items: How Russian economic performance compares with U. S., whether price of labor has gone up more than productivity.

* * *

House Judiciary Committee will scrutinize possible monopoly aspects of newspaper industry. Also possible: Hearings on state taxation of interstate commerce. A House Armed Services Subcommittee will examine capacity of military airlift to lug men and cargo. Senate Foreign Relations will check up on foreign lobbyists in U. S. A commerce subcommittee weighs hearings on aircraft noise.

* * *

What may be touchiest, broadest impact study lawmakers face will come in winter when Ways and Means Committee takes up Kennedy Administration's tax proposals. President has promised tax cuts across the board. But he also wants to make up for some revenue loss by stopping special treatment for taxpayers. Many toes will be stepped on. Some losses, gains for many businesses.



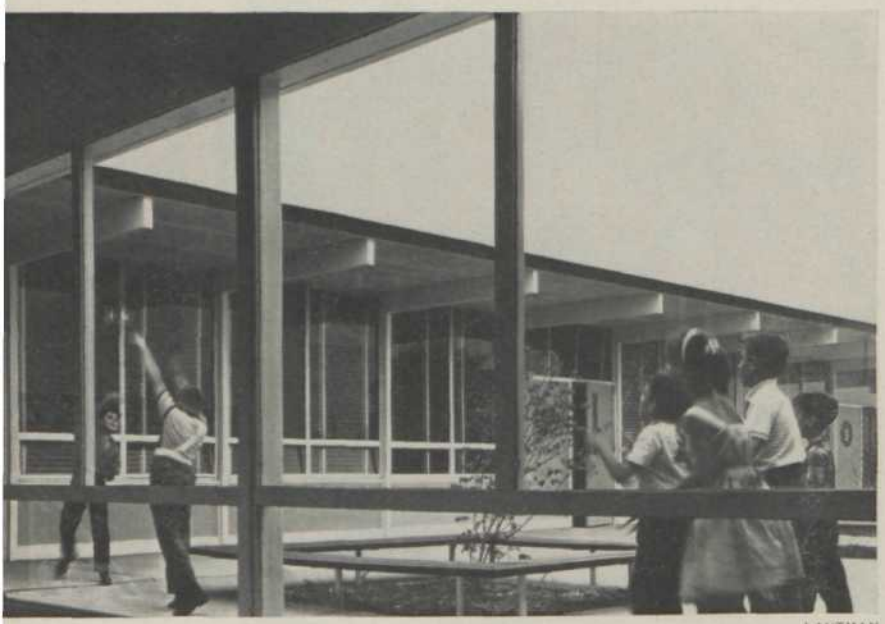
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OCCIDENTAL LIFE

SCHOOL PROGRESS REFUTES AID NEED

One classroom out of 20 will be opened for first time this fall



LAUTMAN

When 46 million youngsters march off to school this month, one fact will stand out:

Many of the children will be housed better in school than they are at home.

One out of every four classrooms has been built during the past five years.

Despite this progress, Congress is being pressured to create a multi-billion dollar federal spending program to build schools. The issue promises to figure importantly in this fall's congressional elections.

Nearly half of all classrooms in use now have been built in the past 10 years. Some 826,000—or 60 per cent of the total—have been constructed since the end of World War II. Only a handful are pre-1930 vintage.

The striking character of the progress in new school construction is shown by the fact that tens of thousands of pupils will be attending classes in rooms never before occupied.

One out of every 20 classrooms will be occupied this month for the first time.

An equal number of new classrooms—in the neighborhood of 70,000—will be constructed in the coming 12 months.

School bells will ring this month for the largest number of children ever to be enrolled. An estimated 40 million young Americans—age five to 17—will be enrolled in public elementary and secondary schools. Another six million pupils will be attending private and parochial schools.

In addition the schools will be better manned with more teachers with higher qualifications than ever before. Public school enrollment has gone up 45 per cent since the 1951-52 school year while the instructional staff has increased 56 per cent.

This points up the trend toward an improved pupil-teacher ratio, which now averages about 25 to one. National pupil-teacher ratios tend to average out the extreme situations that exist in individual schools and districts where crowding continues to be a problem.

More than 1.6 million persons will teach and supervise in public grade and high schools this year. This represents an increase of some 600,000 in the instructional staff in the past decade.

Teachers also will be better paid than ever before. Their average salary will exceed $5,800. That's a jump of some 66 per cent above the average salary for teachers 10 years ago.

Another noteworthy development in public education is the sharp reduction in the number of school districts. In the past 10 years the number has been more than cut in half—a reduction from some 80,000 school districts to an estimated 35,000 today. This trend significantly improves the efficiency of educational systems and provides more educational opportunity for the money.

Schools will spend an estimated $20 billion during the 1962-63 school year. That's money for current expenses, capital outlay and interest on school debt for public elementary and secondary schools. This represents an increase of $12.6 billion over the $7.4 billion spent just 10 years ago.

Total expenditures for public school construction, including colleges and universities, will exceed $3 billion for the year ahead.

Private and parochial school buildings will add another $625 million to the total outlay for new construction.

There's no let-up in sight for these trends. Chances are good that public education will continue to make significant progress in the years ahead. **END**

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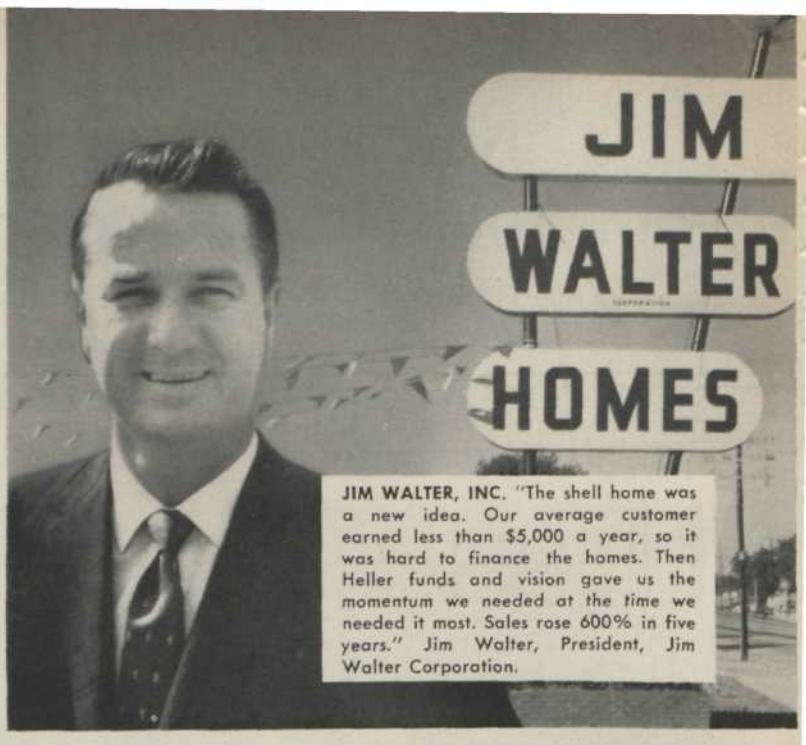
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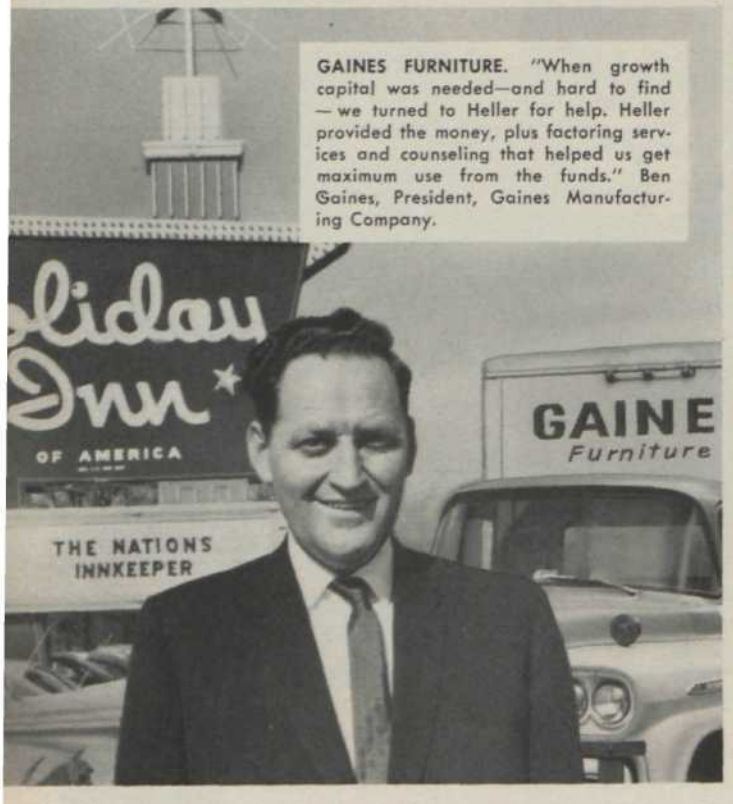
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DEFENSE BUYING

continued from page 31

sides the power plant that this just doesn't seem to be too important operationally. Our present thinking is that it is more important to have more ships without nuclear power than a smaller number of ships with nuclear power.

Will our shipbuilding program continue to grow?

New obligational authority for ships in fiscal '63 is $3 billion, up from $2.2 billion in fiscal '61. I would expect it to plateau out. But I wouldn't want to predict at this time at just what level.

Do you see any other procurement shifts?

Those are the major ones that I can foresee. I have mentioned the substantial increase in the procurement of Army equipment. We have increased the level of procurement of Army equipment from $1.5 billion to $2.6 billion. Since we are raising the number of combat-ready divisions in the active Army from 11 to 16, this procurement might well go up somewhat more.

How long do you think expenditures for conventional forces will continue to increase?

That is hard to say. If we are confronted with several simultaneous little wars around the world we may well decide that 16 active divisions are not enough. But at present I would say they look about right.

When will our current missile and aircraft programs be completed, and what do you see as likely replacements for them?

In long-range strategic bombers, the production of the B-52 and the B-58 is coming to an end. Production lines are closing down, except for the major modifications that some of the B-52's are undergoing. What will happen in the future? I don't think we yet foresee clearly. One possibility, of course, is that we will proceed with the RS-70, which has been the Air Force recommendation. At present it is just a development project. In any event, the B-52's and B-58's will continue into service until well into the 1970's.

At the same time we are greatly increasing our procurement of modern high-performance tactical aircraft. For example, we have doubled the procurement of Air Force tactical aircraft.

We have greatly increased the emphasis on transport aircraft, both in the Air Force, where we are accelerating the C-141 development and procurement, and in the Army, because we think it is highly important that the Army become more mobile. They can do this only by appropriate support aircraft, logistics aircraft, and helicopters. Therefore, we have doubled the funds available for airlift aircraft, and I expect that we may spend even more on that type in the future.

There are similar trends in the Navy.

In the case of missiles, of course, there are many kinds. I have already discussed the long-range strategic missiles, where we are hopeful that the present generation we are now procuring and installing will be effective for quite a number of years.

However, we will continue to buy other kinds of missiles in large quantities. Fighter aircraft as well as bombers are heavily dependent upon both air-to-air and air-to-surface missiles, and we are buying large quantities of both.

Air defense missiles also have a considerable future. We are continuing to buy Hercules and Hawk for the Army, and we will probably go into procurement of Mauler, or something like it, as a successor to these. Technological progress is very rapid in this area. We are buying similar missiles for the Navy.

Will we reach a point where long-range missiles will entirely replace our manned aircraft?

If so, it will be a long time in the future. The B-52's and B-58's will carry us well into the 1970's, and there are possible replacements for the B-52 and B-58.

It is true that most of the targets we want to be able to hit in a second strike are targets that we can handle better with missiles than with aircraft.

This is partly because missiles can get there quicker than any aircraft, even the RS-70, and it is partly because missiles are easier to protect than aircraft.

When will such programs as Polaris, Titan, and Minuteman be completed?

They will be mainly completed within the next five years, as far as we can see now. The answer to this depends, again, on the threat. It depends upon what the Russians will do. If they build more missiles than we presently estimate, we may well have to provide more missiles to counter theirs.

Is it possible, then, that by five years from now our expenditures for long-range missiles may drop off sharply?

Yes, that is entirely possible. The heavy investment phase of procurement and construction will be finished. I wouldn't predict it, but it is a possibility.

How long is it expected that our current crop of missiles will provide an effective deterrent once the program is completed?

That is very hard to predict. It is possible to make all sorts of incremental improvements to the missiles, modifications of the missiles in place, using the same holes, or even using the same frames. Penetration aids will be important if the Russians get an effective antiballistic missile system. We will have to modify these missiles to make sure that they have the aids necessary to penetrate the antiballistic missile system.

To what extent does the Defense Department take into account in developing weapons systems the relative expense to Russia of countering them?

We take it into account. It is seldom a primary factor because there is such uncertainty as to what the Russians will actually do about countering our weapons. I want to emphasize that we never make a decision just to promote an armament race. But it is certainly very relevant in making many decisions to ask: If we adopted this system, what would the Russians have to do to counter it? Would it be very expensive for them to counter it or easy for them to counter it? If it would be very expensive for them to counter it, that is an important plus mark for the system.

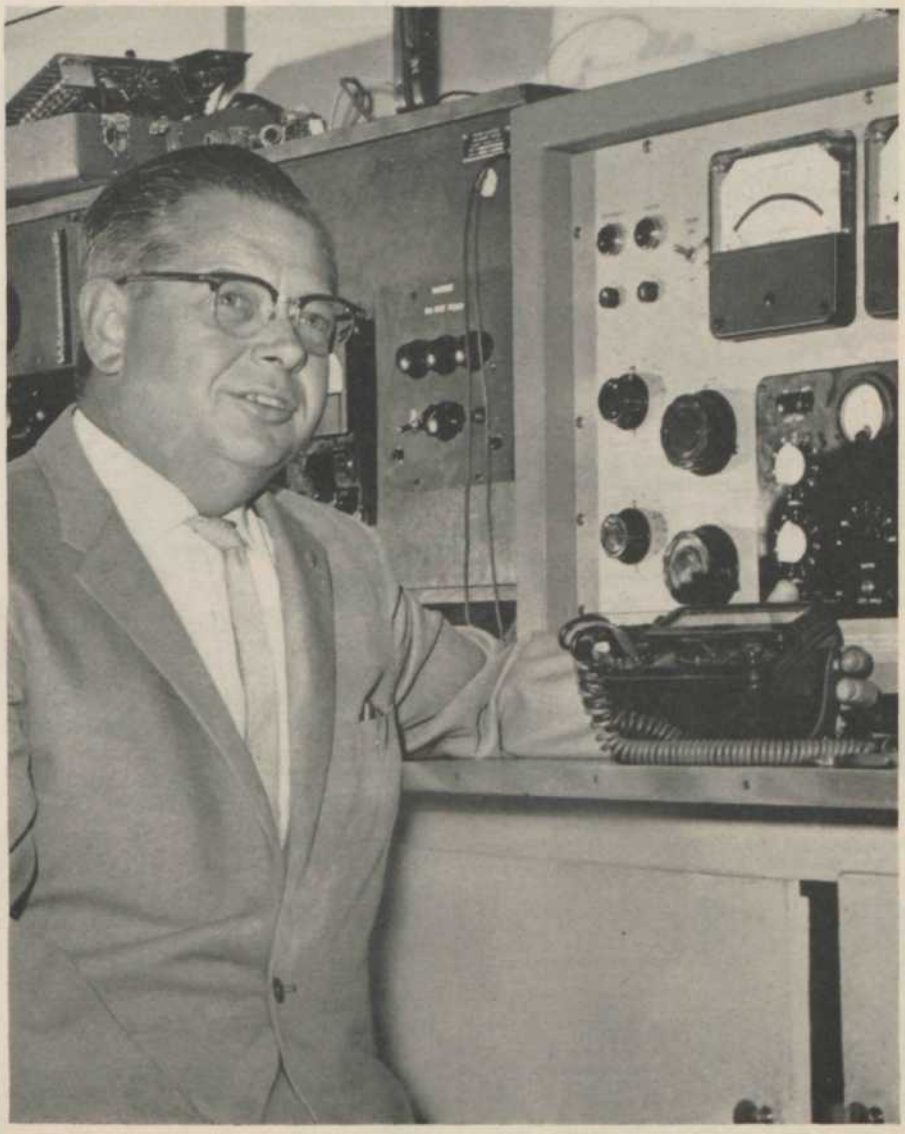
What effect will the military space program have on future spending and procurement?

It could have a very substantial impact, depending upon technological progress. At present, we are in the stage of developing concepts and components. This is a relatively inexpensive phase. We will be spending $1.4 billion on military space in fiscal 1963, practically all of it on research and development of components.

There is no question that there are potential opportunities for military exploitation of space. We see clearly some military applications in surveillance and communications.

The bombardment mission is one that may develop, but it doesn't look very attractive at present in

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DEFENSE BUYING

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comparison with what we can do with missiles located on the surface of the earth. Protection against missiles and space vehicles is another area where we could possibly be spending very large sums of money in the future.

Are there any estimates of what level spending in this area might reach?

No, we haven't reached the point where we can even make estimates, except for particular systems like Nike-Zeus. In general, these would be tremendously expensive.

In fact, some individual systems have been priced out well in excess of our annual defense budget.

As defense programs change, what will be done to ease hardship in the affected industries and geographical areas?

We have set up, under the Assistant Secretary of Defense for Installations and Logistics, an Office of Economic Adjustment, which will anticipate hardship cases and hardship areas and will work with the local communities and with the other parts of the Defense Department and the government in trying to alleviate the hardship cases and to get some corrective action taken in time. They have had a fair measure of success in a few cases, and I think there is a good deal that can be done along these lines.

Does the Department plan to continue closing bases and installations?

Yes. It is our intention to continue to examine all bases and installations and to close those for which we no longer see any requirements.

We have already closed or decided to close 250, with an annual saving of approximately $250 million. I'm sure we are going to go further.

Are there any technological advances ahead that might result in major savings?

The relation between technological breakthroughs and the size of the defense budget is very complex. You can't make any ready assumption that a breakthrough means reduction in the defense budget.

It might well work the other way. For example, if Nike-Zeus is proven fully effective against the expected missile threat, the probable development would cost billions of dollars.

If nuclear power for ships were to become less expensive this might be the kind of technological breakthrough that would result in a saving.

Are the Eastern seaboard and California likely to continue to get the majority of research and development contracts, as they have in the past?

I expect the answer is yes, although I wish the concentration could be a little less. I think it is a natural concentration. The aircraft industry was located in California and on the East Coast before World War II, and that is where it has been ever since, with some exceptions. Electronic instruments and other suppliers have in many cases developed around the aircraft companies.

The aircraft companies naturally took over a fair proportion of the missile business because they had the people with the necessary skills. So I think this is a geographical concentration that is likely to change slowly. Our policy is to let the contracts where we think they can be carried out most efficiently.

What can other areas of the country do to try to gain a larger proportion of research and development contracts?

There are some developments that present opportunities for other parts of the country—the increased emphasis on Army procurement, for example. There is no reason at all why the Midwest shouldn't do very well indeed in supplying ordnance and vehicles. This is still a much smaller business than missiles and aircraft, but it does provide an opportunity. I think other parts of the country have to watch for such opportunities and seize them as they come along.

What will be done to increase incentives for economy and efficiency in procurement?

We're placing much greater emphasis on competition. We are trying to break out parts of systems that we can buy competitively. We are breaking out many aircraft spares and other spares and getting competitive bids on them. We estimate that we save about 25 per cent on the average when we are able to let contracts competitively. We are also determined to place much greater reliance on incentive contracts as opposed to

cost-plus, fixed-fee contracts. This is a hard thing to do with these complex, very advanced systems that you can't completely design in advance. But we think we are developing techniques to do it, and we have reversed the previous trend toward increased use of cost-plus contracts.

What are some of these techniques that will be used in incentive contracts?

We are developing incentive contracts for both development and procurement which will make the rate of profit dependent upon meeting specified targets regarding costs, performance, and time of availability.

What is being done to spur competitive bidding by subcontractors?

This is one of our objectives and one of the things that the Assistant Secretary of Defense for Installations and Logistics has high on his priority list. We have a feeling that contractors have relied even more on sole source procurement than the government has and we expect that there are quite major savings from increasing competition at the subcontracting level.

What percentage of contracts are now being awarded small business and what is the trend here?

The trend is up. We have increased the small business portion from about 16 per cent to about 17.5 per cent of prime contracts. When you include subcontracts, our estimate is that about one third of defense business is done by small business.

What is the profit outlook for defense suppliers?

It is going to depend more than in the past on performance. This is the whole purpose of our increasing competition and increasing incentive contracting. We want to make it possible for defense contractors to make good profits, better profits than in the past if they perform better. And at the other end of the scale, less profits or no profits if they perform badly.

Are we ever likely to reach a point where this country has enough deterrent force that we can allow defense expenditures to level off or drop?

It is possible, but hard to predict. If we had stable deterrence for general war, this might simply shift the conflict to other areas, such as limited war. **END**



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HOW THE NATIONAL CHAMBER DETERMINES WHERE BUSINESS STANDS ON NATIONAL ISSUES

In its testimony before Congress, and in all of its activities in behalf of business, the National Chamber is guided by policies established by the majority opinion of its members. This is the way in which the Chamber's policies are formed:

Any member of the National Chamber—organization, firm or individual—may submit an idea or suggestion for a proposed policy. The only qualifying factor is that the proposal must be "national in character, timely in importance, and general in application to business and industry."

When suggestions having to do with policy come in, they are turned over to an appropriate departmental or specialized committee. More than 30 committees are active throughout the year.

THE ROLE OF DEPARTMENTAL AND SPECIALIZED COMMITTEES

More than a thousand business and civic leaders and professional men—each an authority in his own field—serve voluntarily and without pay on National Chamber committees.

Each committee represents an important sector of the economy, or deals with a particular group of national issues. Each committee analyzes trends and problems in its own field.

After completing its study, the committee prepares a report, together with a proposed new policy declaration—or a proposed revision of an existing policy—and presents its recommendations to the Chamber's Board of Directors.

The committees do not formulate policy; they make recommendations.

Nor does the Board of Directors formulate policy, except in the rare case when the Board recognizes that an emergency exists with respect to an issue on which the Chamber has no adequate policy—and that the time is too short to establish a policy position by the regular procedure.

Emergency policy requires a two-thirds vote of the Board; the reasons for the action must be reported to the membership.

When the Board of Directors receives a policy proposal from one of the Chamber's committees, it discusses the proposal, and also studies the situation which led to the framing of the proposal. Then, after making whatever recommendations it sees fit to make, the Board usually refers the proposal to the Chamber's Committee on Policy.

The Board may, however, submit the policy proposal to the Chamber's membership for referendum.

THE ROLE OF THE POLICY COMMITTEE

The Policy Committee reviews policy proposals, coordinates the proposals, publishes them in a "Preliminary Report," and mails this report to the Chamber's affiliated organizations six weeks or more in advance of the annual meeting.

Thus, the affiliated organizations and their members have time to study the proposals well in advance of the annual meeting, to send in their comments and suggested changes to the Policy Committee—and to be prepared to discuss the proposals, and to vote on them, at the annual meeting.

At the annual meeting, the delegates are encouraged to speak out for or against any policy proposal.

A delegate may appear before the Policy Committee—or he may speak from the floor of the policy session at which the proposals are acted upon by the Chamber's membership.

Every delegate is given a full chance to be heard, and to make whatever recommendations on a proposal he may care to make.

ACTION AT THE ANNUAL MEETING

By their vote at the annual meeting, delegates representing affiliated organizations may:

a) Approve, reject or amend a proposed policy;

b) Order it to referendum; or

c) Refer it to the Board of Directors for submittal to a committee for further study.

The National Chamber does what its members want done.

In its testimony before Congress, and in all of its activities in behalf of business, the Chamber is guided by policies established by the majority opinion of its members.

MAKEWORK PROJECTS WASTE U.S. BRAIN POWER

Unneeded scientists kept by federal facilities

CURRENT EFFORTS to keep government-owned research and production facilities operating at artificially high levels, long after completion of their missions, can establish precedents that will be felt by many business and educational institutions.

A number of such facilities were established during World War II to meet specific emergencies.

More and more of our national scientific effort, requiring both trained manpower and laboratory facilities, is being financed through the federal budget.

Federal research and development expenditures for fiscal 1963 are expected to reach $12.4 billion. That's 65 per cent of the national total.

The influence of this central funding, 80 per cent of which now goes to nonfederal organizations, can go far beyond the dollars spent.

Even more important than the present level of funding is the influence it can have in changing the pattern of economic growth of the nation, affecting new products, new industries, and the vigor of our system of free enterprise.

The author has just spent a month in the Soviet Union studying its approach to education, research and national economy. The persuasion has become stronger than ever that we must identify and preserve the basic elements of free enterprise, and that the role of government should be to regulate and promote —not own or manage—our economy.

The atomic energy industry provides an excellent case study of the problems that arise in this connection. It began as a government monopoly and grew into a large, complicated and intensely competitive industry where both profits and new ideas are hard to come by now.

This young industry has far more capacity than is being utilized. The capacity was built up in response to national need and as part of our normal pattern of growth; it ironically now faces the competition of facilities owned by the government.

Worse still, it appears that these government-owned facilities are going to be maintained at peak levels by introducing nonnuclear work for that purpose.

Because of its larger implications, the move toward taking on nonnuclear research as part of an effort to maintain such facilities at peak level of operation is particularly worth examining.

The atomic bomb project of World War II produced centers where suitable staff and facilities could be concentrated to handle specific new projects. Oak Ridge and Los Alamos were among such centers. For some years after the war they were strengthened, and even increased in number, to satisfy technical and regional needs.

The AEC's annual report for 1961 lists 10 principal government-owned centers of the Commission's research effort. Total plant investment exceeds $1 billion and operating budgets top $480 million a year. The same report fixes the total value of atomic facilities owned by the government, used for research, development, testing and production—especially production of special nuclear materials—at more than $7 billion.

While most AEC facilities are operated under contract by private companies or universities, AEC exercises dominant control over policies and operations. They can hardly be considered private operations in the usual sense.

Some laboratories are having dif-

V. LAWRENCE PARSEGIAN, the author, holds the distinguished chair of Rensselaer Professor at Rensselaer Polytechnic Institute. He was formerly dean of its School of Engineering and professor of nuclear engineering. A noted nuclear physicist, he is a member of the board of directors of the American Nuclear Society. He has served as research division director of the Atomic Energy Commission's New York operations office and as a research official in industry. He is a founder and board member of Radiation Applications, Inc.

Professor Parsegian has just returned from a month-long tour of Russia under an exchange agreement between this country's National Academy of Sciences and the Academy of Sciences of the USSR. His trip included a study of the academic programs of Soviet universities.

ficulty justifying their size. Dr. Alvin M. Weinberg, director of Oak Ridge National Laboratory, has told his staff that, because of elimination of certain reactor projects, Oak Ridge "has only two choices—to contract or to apply itself to other missions, either within or without atomic energy. We must use ingenuity in inventing new patterns for our institution."

He urged the staff to seek out nonnuclear as well as nuclear work for which there was national need and federal funding. Desalinization —removal of salt to increase the supply of fresh water—appeared ripe for exploitation.

The Office of Saline Water of the Department of the Interior gave the laboratory $365,000 to cover a six-month research effort on the chemical properties of water and the technology of materials in aqueous solutions. Several years of additional support are planned with larger funds.

Seeking out work that is not a part of its mission in order to maintain atomic laboratory operations introduces a serious risk. The risk is that government will be tempted to use its excess capacity, as in the case of this desalinization work, rather than look for more effective approaches through other resources.

The field of water resources and desalinization requires both teachers and graduate students who are adequate, in numbers and in competence, for research and for industrial-type work.

Colleges have had difficulty in finding funds with which to establish graduate teaching, research, and graduate assistantships for this field. There is particular reason, therefore, for wishing that these funds could be made available for support of colleges where, in the course of doing the research, there would also be turned out dozens of graduates who would have lifelong interest in the field. In fact, some of the surplus Oak Ridge people could be most helpful in getting this university work started, if money were made available to the schools. The scientist should be encouraged to do his work at the most suitable institution rather than encouraged to remain where he is.

The government's high investment in nuclear facilities makes it difficult for private firms to break

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the governmental monopoly. When a new or different job needs to be done, the government agency tends to say: "We can do it in our facility with only minor modification, as compared to the private firm which must invest, build and amortize new equipment."

The Atomic Energy Act clearly was intended to strengthen free competition in private enterprise.

But this requires more effective steps and the support of Congress is needed to transfer production activities to industry. The government can scarcely deplore monopoly on the part of industrial groups while itself maintaining the greatest production monopoly of all. Experience has shown that when materials of atomic interest find their way into commercial channels, prices are likely to drop as competitive processes take over to improve production.

Determining the proper role and balance for national atomic facilities in relation to industrial and university operations may be particularly significant. There is need for all three, in proper balance. Undoubtedly, government funds will have to be spent on all. This balance must be determined by taking into consideration the interests and capabilities that can be depended on to maximize the work of each for the long pull.

For example, the profit motive and competition are still the most powerful forces to generate new equipment, new materials, new designs and marketable ideas. State-directed economies are much less successful in such development. Therefore, an activity that can be designed to attract competitive processes of industrial groups had better be taken out of national laboratories or other government-owned facilities as soon as possible.

Similarly, basic research thrives best in educational institutions. This is true because professors must teach basic concepts in a systematic way, and they have more freedom and inclination to delve into unexplored territories. On the other hand, most college professors could become as institutionalized in their thinking as can people anywhere else were it not for the stimulation that comes from alert students and the newer faculty members who are out to build careers. The presence and constant flow of such students, and their



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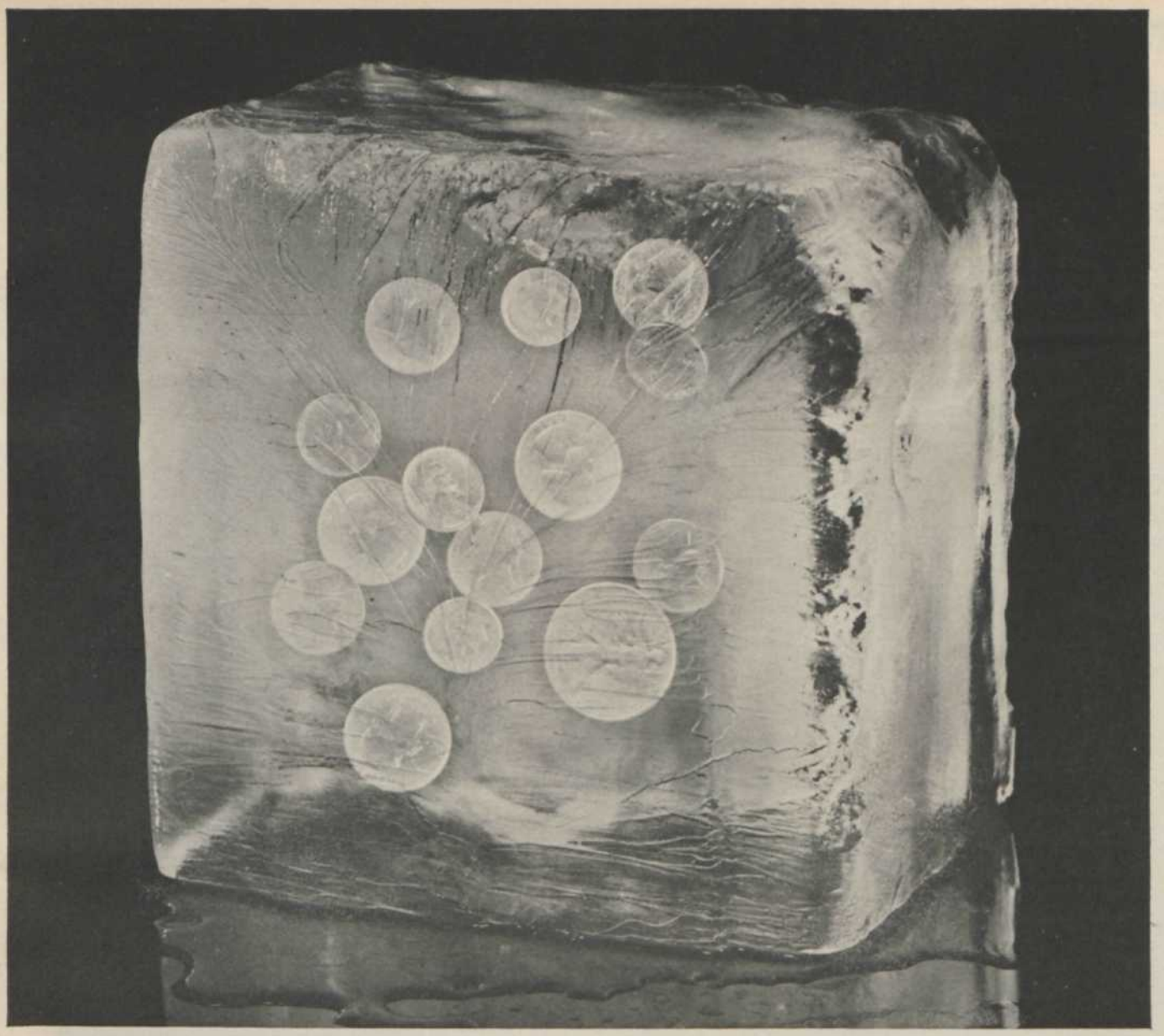
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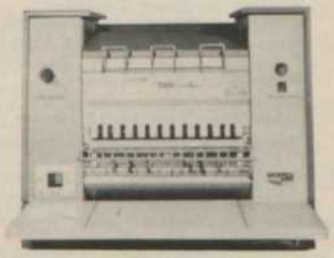
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Aluminum Company of America, Pigments Division *Ketchum, MacLeod & Grove, Inc., Pittsburgh*	18
American Telephone & Telegraph Company, Business General *N. W. Ayer & Son, Inc., Philadelphia*	111
American Telephone & Telegraph Company, Municipal *N. W. Ayer & Son, Inc., Philadelphia*	1
American Telephone & Telegraph Company, National Yellow Pages Service *Cunningham & Walsh, Inc., New York*	57
American Writing Paper Company *S. R. Leon Company, Inc., New York*	10
Anaconda Company, The *Kenyon & Eckhardt, Inc., New York*	23
Anchor Post Products, Inc., Fence Div. *VanSant, Dugdale and Company, Inc., Baltimore*	107
Atlantic Steel Company *Lowe & Stevens Advertising, Atlanta*	44
Beech Aircraft Corporation *Bruce B. Brewer & Company, Kansas City*	56
Butler Manufacturing Company *Aubrey, Finlay, Marley & Hodgson, Inc., Chicago*	3rd Cover
Canadian Pacific Railway Co. *Kenyon & Eckhardt, Inc., New York*	91
E. A. Carey Pipe Company *Grant, Schwenck & Baker, Inc., Chicago*	100
Chamber of Commerce of the United States	82, 104, 105
Denver Chicago Trucking Company *Broyles, Allebaugh & Davis, Inc., Denver*	90
Detroit Diesel Engine Div. of GMC *Kudner Agency, Inc., New York*	4
A. B. Dick Company, Azograph-Spirit *Marsteller, Inc., Chicago*	12, 13
Dodge Division of Chrysler Corporation, Trucks *Batten, Barton, Durstine & Osborn, Inc., Detroit*	88, 89
F. W. Dodge Corporation *G. M. Basford Company, New York*	78
Dow Jones & Company, Inc. *Batten, Barton, Durstine & Osborn, Inc., New York*	66
Eastman Kodak Company, Verifax Division *J. Walter Thompson Company, New York*	58, 59
Eaton Paper Corporation, Nascon Specialty Products Div. *Jules L. Kline Advertising, Springfield, Mass.*	108
Executone, Inc. *G. M. Basford Company, New York*	16
Florida Development Commission, Industrial Div. *Alfred L. Lino & Associates Advertising Agency, St. Petersburg*	55
Friden, Inc. *Richard N. Meltzer Advertising, Inc., San Francisco*	46, 47
Gardner-Denver Company *Buchen Advertising, Inc., Chicago*	80
General Dynamics/Electronics-Rochester *D'Arcy Advertising Company, New York*	72, 73
General Plastics Corporation *Gotsch Affiliates, Fort Wayne, Indiana*	80
Goodyear Tire & Rubber Company *Kudner Agency, Inc., New York*	11
Graphic Systems *Caswell Advertising Agency, Yanceyville, N. C.*	102
Greyhound Corporation, The *Grey Advertising Agency, Inc., New York*	15
Alexander Hamilton Institute *Wunderman, Ricotta & Kline, Inc., N. Y.*	5
Hartford Insurance Group, The *McCann-Marschalk Company, Inc., N. Y.*	43
Walter E. Heller & Company *Gourfain-Loeff, Inc., Chicago*	98, 99
Heyer, Inc. *The Biddle Company, Bloomington, Ill.*	66
Hoosier Desk Company *Keller-Crescent Company, Evansville, Ind.*	102
Hughes Tool Company, Aircraft Div. *Foote, Cone & Belding, Los Angeles*	97
Insurance Company of North America *N. W. Ayer & Son, Inc., Philadelphia*	2nd cover
International Business Machines Corporation (Electric Typewriter Div.) *Benton & Bowles, Inc., New York*	17
International Harvester Company, Inc., Farm Equipment Div. *Aubrey, Finlay, Marley & Hodgson, Inc., Chicago*	60
E. F. Johnson Company *Firestone-Goodman Advertising Agency, Inc., Minneapolis*	102
S. C. Johnson & Son, Inc. *Needham, Louis & Brorby, Inc., Chicago*	54
Kentile, Inc. *Benton & Bowles, Inc., New York*	4th Cover
Walter Kidde & Company, Inc., Kuda Div. *G. M. Basford Company, New York*	108
Listo Pencil Corporation *Cunningham & Walsh, Inc., San Francisco*	100
Minnesota Mining & Manufacturing Company, Thermofax *Erwin, Wasey, Ruthrauff & Ryan, Inc., St. Paul, Minn.*	24, 74, 75
Morton Salt Company *Needham, Louis & Brorby, Inc., Chicago*	52
Mosler Safe Company *Cunningham & Walsh, Inc., New York*	83
Mutual Benefit Life Insurance Company *Donahue & Coe, Inc., New York*	107
National Electrical Contractors Association *Henry J. Kaufman & Associates, Washington, D. C.*	79
National Wiring Bureau *Geer, DuBois & Company, Inc., New York*	92
New York Life Insurance Company *Compton Advertising, Inc., New York*	101
Occidental Life Insurance Company of California *Fuller & Smith & Ross, Inc., Los Angeles*	95
Ozalid Division of General Aniline & Film Corporation *Lennen & Newell, Inc., New York*	109
Pitney-Bowes, Inc. *L. E. McGivena & Company, Inc., New York*	44, 103
Remington Rand Office Machines Division, Sperry Rand Corp. *Gardner Advertising Company, New York*	6
Rilco Engineered Wood Products—Weyerhaeuser Company *Cole & Weber, Inc., Tacoma, Wash.*	48
Todd Company Division, The Burroughs Corporation *Campbell-Ewald Company, Detroit*	64
Travelers Insurance Company, The *Young & Rubicam, Inc., New York*	61
Tropical Paint Company *Denman & Baker, Detroit*	81
United States Plywood Corporation *Kenyon & Eckhardt, Inc., New York*	51
Utah Power & Light Company *Gillham Advertising Agency, Salt Lake City*	71
Victor Business Machines Company *John W. Shaw Advertising, Inc., Chicago*	65
Vogel-Peterson Company *Ross Llewellyn, Inc., Chicago*	100
Volkswagen of America, Inc. *Doyle, Dane, Bernbach, Inc., New York*	28
Wellington Sears Company *Ellington & Company, Inc., New York*	19
Western Union Telegraph Company, Inc. *Benton & Bowles, Inc., New York*	27
Whirlpool Corporation *Netedu Advertising, Inc., St. Joseph, Mich.*	14
Yawman & Erbe Manufacturing Co., Inc. *The Rumrill Company, Inc., Rochester*	45

Regional Advertisements

Magazine Advertisers Bureau *Stanford Associates, Milford, Conn.*	67
Nation's Business	87
Shepard Niles Crane & Hoist Corp. *Carey Advertising, Inc., Ithaca, N. Y.*	67
Texas Employers Insurance Association *Glenn Advertising, Inc., Dallas*	87
Western Airlines *Batten, Barton, Durstine & Osborn, Inc., N. Y.*	87

BRAIN POWER

continued

willingness to explore new directions, probably account for most of the world's basic ideas.

This suggests that basic research and certain categories of engineering research are best done at educational institutions, where there is the double advantage that research is needed to produce better-prepared scientists and engineers. Moreover, these research activities quickly become translated into industrial processes and new equipment as students leave to enter industry and government.

Dr. Weinberg proposes that national laboratories take on an educational function in order to turn out the larger number of competent scientists and engineers that are needed, and so that senior scientists may gain zest and originality and sustained enthusiasm from association with graduate students.

Unfortunately this reasoning overlooks two facts. One is that many schools already in existence are not doing the job they would like to do simply because they have been unable to add research staff and facilities. Second, university research is effective because it is added to an academic role.

Government laboratories would be hard-put to offer the same academic environment. Dr. Weinberg himself found reason to complain that laboratory management was not permitted to exercise full responsibility and that "there are now so many layers of authority this primary principle of good management is often painfully absent."

The AEC laboratories do have a useful function as centers where large research facilities may be located, to which scientists may come and go in large numbers to do research that cannot be done in their own facilities. In addition, a laboratory such as Los Alamos must continue to concern itself with weapon technology. It may undertake certain categories of tests on reactors which are better accommodated at its site than at some university or industrial site. For such reactor work the Commission reported $302 million spent for reactor research in AEC laboratories, and only $3 million in universities.

Summing up:

There is need for careful analysis by Congress, government agencies, and the people as to the type of society we seek for the future—and what it takes to get there. **END**

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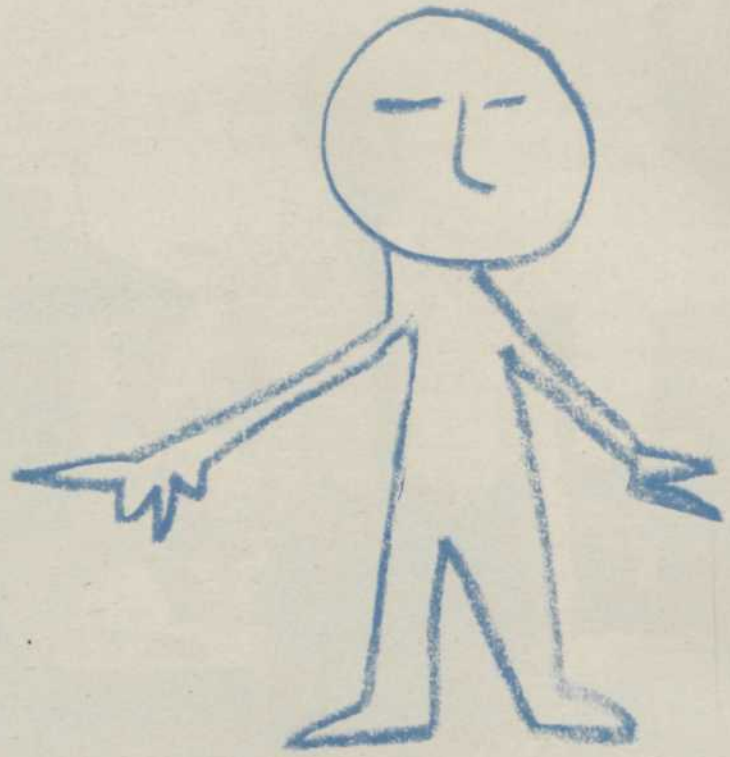
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